



ECO/ESG

Brussels, 28 June 2024

To the members of the
European Semester Group

The secretary-general of the European Economic and Social Committee is pleased to enclose the

MINUTES
of the 31st meeting
of the
European Semester Group,
held at the Committee building in Brussels
on
28 June 2024

The European Semester Group (ESG) held its 31st meeting at the Committee building in Brussels **from 9:30 to 13:00 on Friday 30 June 2024**. It was a hybrid meeting, with some members connecting remotely via the Interactio videoconferencing system and others attending in person. The meeting was chaired by the ESG president, **Luca Jahier**.

1. Adoption of the draft agenda.

The draft agenda was adopted.

2. Approval of the minutes of the 30th European Semester Group meeting held on 30 April 2024. (EESC-2024-01317-00-00-PV-REF).

The minutes were approved.

3. Introduction by the president of the group, Mr Jahier.
4. **Presentation of the 2024 European Semester Spring Package** by Brendan Garrec, policy officer at SG RECOVER, European Commission, and debate with ESG members.

Mr Garrec took the floor to present the 2024 Spring Package:

- The 2024 **Spring Package Communication** outlined the **main economic and social policy priorities** for the next year: (1) coordination of economic, social and employment policies that focused on country reports (CRs) and on the European Commission's proposals for country-specific recommendations (CSRs); (2) coordination of employment policies that focused on proposals for a Council Decision on guidelines for Member States' employment policies; (3) coordination of fiscal policies that focused on the omnibus report¹, fiscal statistical tables and post-programme surveillance reports.
- The European Commission's main priorities were: (1) to **make Europe more competitive and ensure that Member States focused on implementing their recovery and resilience plans** (RRPs) and the reform efforts; (2) to **maximise the impact of EU funds**, fully exploiting their synergies and the complementarities of reforms and investments under the Recovery and Resilience Facility (RRF) and cohesion policy programmes; (3) to **implement the reviewed EU economic governance framework**, which would strengthen fiscal sustainability and support long-term sustainable and inclusive growth and resilience.
- These policy priorities were structured around the four dimensions of competitive sustainability and were in line with the Sustainable Development Goals (SDGs). The Spring Package also included a **progress report on the SDGs**.
- The key goal of **competitiveness** included **paying attention to challenges linked to low productivity growth, weak investment dynamics and significant labour and skills shortages**.
- **The CRs** identified country-specific vulnerabilities and priority reform and investment challenges. The **CSRs** were divided into recommendations on: fiscal policy, implementation of the RRP, the REPowerEU chapter, cohesion policy programmes and a focus on

¹ Under Article 126(3) TFEU.

competitiveness. The thematic areas covered were: the **green transition**, the **digital/single market, social/health/education**, and **fiscal/financial** and **institutional resilience**. With regard to competitiveness, Member States were recommended to address the following issues: the **business environment** (better access to finance and a reduced administrative burden), **research and innovation** (creating a business-friendly environment to encourage investment), **labour market policies** (addressing labour market shortages), **skills and training** (addressing skills mismatches), **education** (addressing education performance challenges and improving basic skill levels and inclusive education) and **energy and resource efficiency** (targeted recommendations going beyond the REPowerEU chapters).

- The Commission had started discussions with the Member States on their medium-term fiscal structural plans in a timely manner and had also asked them to limit growth in net expenditure in 2025 to a rate that put the government debt ratio on a plausible downward path in the medium term.
- The Commission was in contact with the Council regarding Romania's failure to take effective action to reduce its excessive deficit, which paved the way for the application of a new Excessive Debt Programme (EDP). Other EDPs were to be opened for Belgium, France, Hungary, Italy, Malta, Poland and Slovakia. There was a certain **elasticity in the EDPs: if the excessive debt was exceptional**, temporary or close to the 3% mark, the procedure would be suspended.
- The **macroeconomic imbalance procedure** comprised three criteria: **the seriousness** of the imbalances, **the evolution** of the imbalances, including prospects, and **the policy response**.
- **In-depth reviews had been carried out for 12 Member States** and a change in classification had been justified in 7 cases: France, Portugal and Spain had been found not to be experiencing any imbalance. Greece and Italy had moved from excessive imbalances to imbalances. Slovakia was now experiencing imbalances, and Romania had excessive imbalances. The other five cases remained classified as imbalances (CY, DE, HU, NL, SE).
- **Employment, skills and social issues** remained a priority and continued to be supported by the **RRF, ESF+ and other tools in line with the European Pillar of Social Rights (EPSR)**. This was obvious in many CSRs, which suggested: **improved skill levels, education and basic skills, non-discrimination and equal opportunities, and adequate and sustainable social protection, healthcare and long-term care**. The **2024 Employment Guidelines** provided Member States with EU-wide guidance for their **employment, skills and social policies**. New features included calls for Member States to make progress towards their national 2030 targets for employment, skills and poverty, to **support the uptake of new technologies**, and to put in place actions to **tackle skills and labour shortages**.

Mr Jahier opened the floor to questions/comments from members. **Mr Jahier, Ms Vorbach, Mr Doz Orrit, Mr Ostrowski, Mr Wagener, Mr Cabra de Luna, Mr Schlüter, Ms Ochędzan, Ms Del Rio, Mr Edelényi, Mr Morkis, Mr Libaert, Ms Calistru, Mr Palmieri** and **Mr Bollon** took the floor.

- *How could national governments and parliaments take account of the CSRs, given the short deadlines and often complex national procedures?*
- *What about the social dimension (in particular gender equality, quality jobs, combating poverty, improving social dialogue etc.); would CSRs based on social policies have the same importance and status as CSRs on finance or the budget?*

- *What indicators would be set for the Social Convergence Framework (SCF)? What were the consequences for Member States whose implementation was lagging behind?*
- *As the deadline for implementing the RRF was approaching, was an extension possible?*
- *Which country had the most work to do to adhere to the CSRs?*
- *Did the objective of limiting net expenditure apply to all Member States or only to those that had failed to comply with the rules of the Stability and Growth Pact?*
- *Were there any CSRs relating to the poverty reduction pact?*
- *Could you please tell us more about the social indicators?*
- *CSRs should focus more on social and quality-of-life factors rather than purely economic ones. Large companies crowded out small businesses, leading to market imbalances and failures.*
- *There were too few indicators for the SCF to be a success. Would you update this tool?*
- *How could the impact of the reforms be assessed ex ante? How could investment in education, for example, be quantified if its impact was only felt several years later?*
- *How could we maintain and develop the competitiveness of our human resources?*
- *Considering Russia's war of aggression in Ukraine and Member States' increased defence spending needs, was the Commission taking these extraordinary circumstances into account?*
- *The Commission should better formalise the involvement of local stakeholders and social partners.*
- *What would the consequences be if Romania continued to ignore calls to reduce its deficit? How could we ensure that the rules of the reviewed EU economic governance framework had teeth without bringing back the old austerity measures?*
- *How could the Commission bridge the gap between the highly technical European budgetary process and the more political national debate and decision-making process? There was an enormous risk that the far right would try to exploit the situation and present the unpopular cuts as dictated by Brussels.*
- *How could Brussels defend against attacks by national parliaments on the EU economic governance framework and the single market?*

Mr Garrec answered as follows:

- The Commission's idea was to have **detailed technical discussions with the Member States well before the official end of the process.**
- The social dimension was dealt with in more depth in the **annex to the CRs**. Additionally, there were a **number of CSRs on poverty and social exclusion**, although these were of course very country-specific, as the challenges faced by the Member States were quite different.
- **Social dialogue and consultations were very important to the Commission**, which insisted on Member States having proper consultations.
- The **medium-term fiscal structural plan was a new way of looking at expenditure**, giving a better idea of Member States' commitment to respecting fiscal rules. **The idea was to take into account extraordinary expenses, such as increased defence spending, in the calculations of the plans.**
- The **SCF did not have the same value as the EDP, nor did it have the same position in the Treaties**. It was a **new analytical tool** that went beyond the social scoreboard, to take into account a wider range of indicators.
- For some Member States, there was no recommendation for limiting expenditure, as was the case for Denmark.

- **The quality-of-life indicator did not exist separately, but was supposed to be taken into account in the CRs and the CSRs.**
 - The key factors in improving the use of human resources would be **education, combating skills shortages and mismatches, and developing green skills** and other abilities.
 - There was a comprehensive analysis in the CRs for those Member States that were stepping back from the single market.
5. Implementation of the revised EU economic governance framework: preparation of common guidelines on monitoring and evaluating the returns on social investments. Presentation by Francesco Corti, associate research fellow at CEPS and an advisor to Frank Vandenbroucke, the Belgian Deputy Prime Minister and Minister for Social Affairs and Health, and debate with ESG members.

Mr Corti took the floor to present the implementation of the revised EU economic governance framework:

- **The Belgian and Spanish Presidencies had played an important role in promoting a social agenda**, despite the dominance of defence and competitiveness in the discourse. The objective of this revised framework was to strengthen Member States' debt sustainability and promote sustainable and inclusive growth through reform and investment. A key element was for **Member States to present their own plans for reform and investment**. The 7-year adjustment period could still be severe, but it was certainly better and more forgiving than the previous framework or even a 4-year plan.
- Member States would have to fulfil **five criteria for reforms and investments**: (1) **improving growth and resilience potential**; (2) **improving fiscal sustainability**; (3) **addressing common priorities** (e.g. green, digital, EPSR, defence); (4) **addressing relevant CSRs** (from 2019, 2020, 2022, 2023 and 2024); (5) **ensuring that the overall planned level of public investment financed at national level** over the whole period of the plan was higher than the medium-term level before the period.
- All reforms and investments should contribute to at least one of the priorities linked to the implementation of the principles of the **EPSR**, including in relation to the **2030 national targets for employment, skills and poverty reduction**.
- The Belgian Presidency had managed to ensure that, in a period of fiscal consolidation, the social dimension was at least included in discussions but, ultimately, it was up to the Member States to determine the type of investment they would prioritise.
- **There was a lack of economic literature showing the micro and macroeconomic benefits and returns of social investment**. Therefore, the **Council had asked the Commission to create a knowledge hub on social investment**, which would play a crucial role in providing national social ministers with data and empirical arguments for budget negotiations. The hub would also provide **guidelines for social ministries on how to design and implement national policies**.

Mr Jahier opened the floor for debate. The members **Mr Doz Orrit, Mr O'Connor, Mr Robyns, Ms Del Rio, Ms Ochędzan, Ms Vorbach** and **Mr Jahier** took the floor.

- The Belgian Presidency had fought valiantly to add a social dimension to the European Semester. There was concern that, even with the longer adjustment period, the pressure to

reduce debt could lead to cuts in social spending. The members wanted to know Mr Garrec's opinion on that.

- The knowledge hub for social investment was commendable, as were the guidelines on national social policy. However, more emphasis should be placed on **coverage of collective bargaining agreements** in Europe.
- It would be essential to **combine private investment with existing public investment** in sectors such as housing.
- **Ex ante evaluations of projects were very difficult to undertake**, especially in complex areas, such as gender equality, where the results would only be visible in a few years' time.
- Social infrastructure was a major challenge as it did not create revenue. Profit should not be the only focus; the social function was also important, in particular in view of the demographic challenge.
- *What role did tax revenue play in the medium-term fiscal structural plans?*
- It was important to stop making a distinction between social investment and competitiveness; they were not opposites but rather two sides of the same coin.

Mr Corti answered as follows:

- There was a trade-off between current expenditure and capital expenditure. Member States would be able to decide how to redirect their current expenditure.
- **Collective bargaining** had not been included under the social indicator as the indicator's construction did not allow for it. However, **it should be included under a better indicator in the future**. National differences in collective bargaining posed a challenge in this respect.
- There was **no trade-off between competitiveness and social investment**. The quest for greater competitiveness would focus on upskilling and reskilling workers. The return on investment in education was at least 5 to 10 years.
- The **Hungarian Minister for Social Affairs was committed to continuing the work of the Belgian Presidency**, fighting for competitiveness while promoting a social agenda.
- The SCF would be evaluated after a year.
- **Measures to increase tax revenue had of course been taken into account in the calculations, but only if they had already been the subject of legislation.**
- The binding rules of the fiscal agreement should not undermine national social policies, and the voluntary assessment of the distributional impact should be binding.

6. **Joint reflection on the draft programme for the annual European Semester Conference in September 2024.**

- **Mr Jahier** said that the conference should include recognition of the important work that the Belgian Presidency had undertaken to promote the social agenda. An idea that had clearly been underlined in the Spring Package as well as the Letta report was to focus not only on the right to move, but also on the right to stay. A majority of citizens did not want to leave their town or region and wanted to enjoy employment and opportunities at home. Internal cohesion had failed to make progress.
- **Mr Lobo Xavier** explained that it must be acknowledged that competitiveness was an issue in Europe. The EESC's Group I was very concerned about this aspect and the Hungarian presidency had made it a priority.

- **Mr Edelényi** stated that it was also necessary to talk about evaluation. How should investment and returns be measured? Social investments were difficult to evaluate, and it was not just about funding.
- **Mr Palmieri** said that the Commission had published an interesting paper on interregional competitiveness, focusing on the attractiveness and sustainability of regions as economic hubs. The map of regional competitiveness showed a clear link with cohesion policy.
- **Mr Jahier** thanked the members for their contributions and explained that the group would adapt the second panel to focus more on the issue of competitiveness.

ATTENDANCE LIST

List of members				
Mr/Ms	Present <i>in situ</i>	Present remotely	Absent	Apologies
ANDERSSON, Krister		X		
ANTONIOU, Michalis replaced by KRAWCZYK Jacek (alternate)			X	
ATS, Kerli			X	
BOLLON, Pierre		X		
CABRA DE LUNA, Miguel Ángel		X		
CALISTRU, Elena-Alexandra	X			
DANDEA, Petru Sorin	X			
DEL RIO, Cinzia	X			
DOZ ORRIT, Javier	X			
EDELÉNYI, András	X			
GOBIŇŠ, Andris	X			
IOANNIDIS, Athanasios	X			
JAHER, Luca	X			
KINDBERG, Mette		X		
KIUKAS, Vertti		X		
LIBAERT, Thierry	X			
LOBO XAVIER, Gonçalo	X			
MANOLOV, Dimitar		X		
MARTINOVIĆ DŽAMONJA, Dragica	X			
MEYNENT, Denis			X	
MORKIS, Gintaras		X		
O'CONNOR, Jack	X			
OCHĘDZAN, Justyna Kalina	X			
OSTROWSKI, Krzysztof		X		
PALMIERI, Stefano		X		
PLAT, Jacob			X	

POČIVAVŠEK, Jakob Krištof			X	
REALE, Maurizio			X	
ROBYNS DE SCHNEIDAUER, Wautier	X			
SALAFRANCA SANCHEZ-NEYRA, José Ignacio	X			
SCHLÜTER, Bernd	X			
SCHMIDT, Peter			X	
SIPKO, Juraj		X		
SVENTEK, David		X		
VARDAKASTANIS, Ioannis	X			
VON BROCKDORFF, Philip		X		
VORBACH, Judith	X			
WAGENER, Marco			X	
ZARIŅA, Katrīna	X			

European Commission

Brendan GARREC
Francesco CORTI

SG RECOVER
CEPS and office of Frank Vandenbroucke, the
Belgian Deputy Prime Minister and Minister for
Social Affairs and Health,

EESC Secretariat

Colombe GREGOIRE
Anna PANTAZI
María D CARMONA

ECO/ESG administrator
ECO/ESG administrator
ECO/ESG assistant
