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Improving the European Semester

The views of organised civil society

Summary of relevant EESC opinions

ECO

Section for Economic and
Monetary Union and Economic
and Social Cohesion



European Economic
and Social Committee

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Preface

Given the slowdown of the economy and the current economic risks, the EESC firmly believes that the priority of economic policy should be to mitigate the risk of a recession and steer the EU towards a path of sustainable growth. There is a clear need to revive the economy with greater investment and productivity, reducing social inequalities using the European Pillar of Social Rights and taking up the fight against climate change by promoting decarbonisation. The EESC has in this respect acknowledged the growing importance of the European Semester, the EU's annual cycle for economic policy coordination, as the focal point for reform discussions.

The European Semester is constantly changing. The process was recently reinforced by the inclusion of social policy, a closer link between the EU budget and the Semester and, recently, the aim of better integrating the UN sustainable development goals. Amongst the challenges to address are, however, lack of ownership of proposed reforms and more sluggish implementation of country-specific recommendations.

The involvement of organised civil society in the European Semester is therefore fundamental, as stakeholders' co-ownership of reforms improves their implementation and helps to achieve positive outcomes. However, organised civil society is not sufficiently represented in the work of the EU Semester.

The way forward

The European Economic and Social Committee (EESC) – a consultative body of the European Union which gives representatives of Europe's organised civil society a formal platform to express their views on EU issues and policies – has consistently called for more structured involvement and consultation of organised civil society in this process as well as the necessary tools, resources and time for this to be achieved. The creation of the European Semester Group (ESG) is an attempt by the EESC to create a stronger link within the European Semester process between the national organised civil society organisations in each Member State and the EU institutions, in particular through regular country visits where we collect policy views from organised civil society to feed into the semester process.

In this brochure, we have put together a series of semester-related opinions and an information report in which the EESC makes policy recommendations on the various elements of the European Semester. We now call on the European institutions and the Member States to use our recommendations as a basis for driving more inclusive, sufficiently-financed sustainable growth, in order to reduce social inequalities, fight climate change and support the economy with productive investments.



Stefano Palmieri
President
Section for Economic and Monetary Union and Economic and Social Cohesion (ECO)



Gonçalo Lobo Xavier
President
European Semester Group

2019

Annual Growth Survey 2019 (additional opinion)



European citizens and companies need sufficiently financed sustainable growth in order to:

- decrease social inequalities by offering jobs and a good quality social safety net;
- fight against climate change with proactive decarbonisation measures; support the economy with productive investments.

Anne Demelenne

The EESC

- considers that there is still a need for public and private investment as well as expenditure on training and education (starting from early child education) to improve the competitiveness of the European business sector. The country-specific recommendations have a welcome focus on investment this year. Special attention must be paid to productive investments and investment in social infrastructure to prioritise sustainable growth, and in enabling the implementation of the social pillar;
- believes that the structural reform effort of Member States needs to increase. In particular, regarding the current account surplus countries, the low compliance of Member States with the Macroeconomic Imbalance Procedure needs to be addressed for the sake of economic and political stability in the European Union and the euro area;
- notes that the current environment of very low interest rates has freed up funds in national budgets. Member States should use these funds to expand their physical, digital and environmental investment expenditure as well as expenditure on training, skills and qualifications;
- welcomes the larger role of the European Pillar of Social Rights and the social scoreboard. The Committee encourages the Commission to proceed with and develop it during the next cycles of the European Semester;
- believes that climate change has become a central issue during the last year and can be reflected more in the Semester. Recommendations for next year's cycle should contain more CSRs to combat the existential threat of climate change, if not even at least one per Member State;
- considers that taxation needs to favour productive investment and spending in the real economy. Tax revenue should be shifted to sources other than those related to work and sustainable consumption;
- acknowledges that the financialisation of parts of the European economy has put an undue burden on companies and employees and asks the Commission to investigate the possibility of using the European Semester to promote overall stakeholder value rather than only shareholder value;
- supports the introduction of minimum standards concerning the consultation of the national social partners by national governments at various stages during the European Semester.

Rapporteur: Anne Demelenne



Annual Growth Survey 2019

The EESC

- welcomes the continuing commitment to support for reforms aimed at increasing high-quality investment and productivity growth, inclusiveness and institutional quality, and to continuing to ensure macro-financial stability and sound public finances;
- welcomes the recognition of the need for investment focused on education and training and the increased recognition of the need to strengthen the EU's social dimension, to respond to inequalities inside and between regions and in terms of access to education, and to achieve coordination between policy instruments;
- however, it remains to be specified how these objectives are to be achieved and the assessment of economic performance does not match the data appended in all areas, remaining complacent on some points, exaggerating positive features and, in some cases, making unsubstantiated claims about the positive effects of past policies;
- welcomes reforms that can lead to enhanced productivity. Improved productivity is crucial for retaining the EU's competitive position and for improved wellbeing. However, there is a need for thorough evaluation of past policies, in the light of mixed results to date, including the slow pace of economic recovery, continuing concerns over productivity relative to competitors and the increase in precarious employment;
- welcomes the prominence the Social Pillar is given. It should be made clearer how it will be put into practice, how resources can be made available through European Social Funds and other European instruments and how that will be financed at EU and Member State level;
- underlines that progress is very slow and proposals often rather modest in areas where new policies have been proposed, including fair taxation, the banking union and the functioning of the euro area. Full involvement of the social partners and civil society would be beneficial;
- recognises the importance of addressing climate change but measures so far adopted remain insufficient. An important step would be to rename the Annual Growth Survey as the Annual Sustainable Growth Survey. Besides recognising the importance of climate change this would also recognise the importance of sustainability of finite resources, the protection of the environment and thereby the safeguarding of the interests of future generations;
- emphasises that in many areas policy implementation depends on some private and also public sector financing. This should be facilitated both with reforms to create a favourable environment for private-sector investment and with an adequate EU budget and with commitment to a 'golden rule' allowing funding from Member State budgets for socially and economically productive investment that does not threaten future budget sustainability.



In this AGS 2019, the need to revive the economy with increased investment and productivity, reducing social inequalities using the European Pillar of Social Rights and taking up the fight against climate change through decarbonisation are fundamental challenges for sustainable growth in the EU.

Anne Demelenne

Rapporteur: Anne Demelenne



2018-2019

2018-2019 European Semester country visits



The dialogue between the European institutions and the entire EU civil society must be guaranteed at all stages of the European Semester process.

Reine-Claude Mader

- In 2018, the EESC decided to raise awareness about the European Semester process and to strengthen the involvement of civil society in this process, as well as to consult it on the content of the country-specific recommendations published by the European Commission each year in May-June.
- By taking the initiative of organising consultations in the form of round tables in several countries via its members' network, the EESC has been able to provide a new perspective on the European Semester.
- The EESC's aim was threefold: to provide a contribution to the European Semester exercise on the part of civil society; to increase awareness of this process among civil society organisations; and to improve knowledge of the country-specific recommendations decided on by the Council to make it possible to follow up on them. In 2018 and 2019, so far 12 such visits have been organised.
- The hearings were both constructive and useful, as they enabled the EESC to establish a direct link with all the components of civil society in the countries in question. They revealed a great desire on the part of civil society organisations to be informed on this issue.
- Given the warm welcome for the initiative and the interest expressed by the participants, and particularly by NGOs that are remote from the decision-making hubs, the EESC recommends that this dialogue should continue in order to raise awareness of the European Semester process and to reach a wider audience. Therefore, the visits will continue in 2020.
- The EESC also proposes organising a European Semester Day each year in cooperation with Member States to pursue dialogue.
- The EESC also recommends that an annual consultation be organised under its aegis in each Member State and at EU level on civil society in the long term so it can perform its role as representative of civil society.

Rapporteur: *Reine-Claude Mader*



Guidelines for the employment policies of the Member States

2019

- In this opinion, the Committee reiterates and builds on the findings and recommendations it made in its previous opinions regarding the guidelines for Member States' employment policies. It also reiterates its conclusions and recommendations on the European Pillar of Social Rights.
- The EESC welcomes the measures taken at European and national level that have led to progress in the field of employment, and recommends that they be maintained and developed in order to foster economic and social sustainability, a workforce that is skilled, trained and therefore better prepared for new developments, particularly technological ones, and labour markets that can respond rapidly to economic change.
- When designing policies for regulating the labour market and social rights, competitiveness, productivity and social sustainability/workers' rights should form a seamless part of those policies. All policies should take into account an appropriate balance between economic sustainability, and social and environmental sustainability.
- Policies and structural reforms are needed that facilitate the creation of quality jobs, and foster responsible entrepreneurship and the growth of SMEs and social enterprises.
- The EESC underlines the importance of ensuring inclusive, equitable and high-quality technical, vocational and tertiary education, including higher education, of ensuring a high level of relevant skills and knowledge, for employment, decent jobs and entrepreneurship, and promoting lifelong learning opportunities for all.
- Finally, the Committee recalls that the proper functioning of social dialogue is essential to improving the design, implementation and follow-up of reforms.

Rapporteur: Anna Bontea



For 2020, the Member States and the EU, in consultation with the social partners, are to work towards developing a new coordinated strategy for employment which, in particular, seeks to promote economic and social sustainability, a workforce that is skilled, trained and therefore better prepared for new developments, particularly technological ones, as well as labour markets that are responsive to economic change, with a view to achieving the objectives of full employment and social progress, reducing disparities, and strengthening the functioning of the labour market and the effectiveness of social dialogue. An inclusive, consistent and effective cross-cutting European policy for SMEs is needed and to apply the principle "Act small first."

Anna Bontea



2019

Euro area economic policy 2019 (additional opinion)



We are convinced that the current priority of economic policy should be to mitigate the risk of recession and steer the euro area and the EU towards a sustainable growth path. For this, it is essential that the ECB's monetary policy is accompanied by an adherence of the Member States to the "virtuous triangle" of investment, structural reforms and – given the current juncture – a positive aggregate fiscal stance for the euro area in full respect of the principles of fiscal prudence. Private investment should also be supported through a renewed effort to complete the Banking Union and the Capital Markets Union.

Petr Zahradník

The EESC

- respects the positive development of the EU economy and the euro area over the last few years, but notes that they are now more exposed than usual to risks from outside the EU;
- believes that it is essential for fiscal policy to accompany the ECB's expansionary monetary policy with a positive fiscal stance within the euro area, while respecting fiscal discipline;
- takes note of the current investment growth in the EU and euro area, but believes that more resources are required, both in private and public investment, particularly given that such investments are greater in China or the USA;
- welcomes the proposal for a budgetary instrument for convergence and competitiveness (BICC) and its close link to the Reform Support Programme (RSP);
- expects the BICC and the RSP to provide significant support for reforms and investment both within the euro area and in countries outside the euro area;
- believes nevertheless that the proposal concerning the MFF for 2021-2027 may not be sufficient to successfully implement these programmes and reiterates its call for an increase in the amount of resources for this purpose;
- supports and appreciates the equilibrium and mutual conditionality of investment, structural reforms and fiscal responsibility;
- underlines the unique importance of private investment and is concerned about the delays in implementing the Banking Union and the Capital Markets Union, which can help accelerate the growth of investments through more efficient and flexible capital flows;
- believes that the priorities of the European economy should now be more strongly geared towards supporting domestic demand and that the very positive external balance of European trade in goods and services should be more evenly distributed among more Member States;
- strongly supports further work to improve the functionality and homogeneity of the single market, while noting with concern the problem of the shortage of workers and skills mismatch.

Rapporteur: Petr Zahradník



Euro area economic policy 2019

The EESC

- stresses that the pursuit of economic resilience should go hand in hand with increased labour market resilience;
- asks the EU institutions to adopt the guidelines and measures necessary to encourage public investment and facilitate private investment;
- welcomes the proposals to shift taxes away from labour and strengthen education systems and investment in skills, as well as the effectiveness of active labour market policies that support transitions to high quality jobs, but Member States must ensure sufficient financing for social investment and social protection systems;
- fully shares the European Commission's concern regarding the need to act against tax fraud, evasion and avoidance;
- reiterates the importance of implementing the European Pillar of Social Rights as a means of increasing resilience, promoting upward convergence and ultimately protecting the European integration project from centrifugal trends;
- welcomes the European Commission's recommendation for a symmetric rebalancing in the euro area and the call for higher wage growth in Member States with surpluses;
- believes that improving the business environment and promoting the completion of the single market, without undermining social and labour rights, are important ways of strengthening economic resilience in the euro area;
- reiterates that the Capital Markets Union is very important when it comes to financing economic activity and expresses its concern about the delays and obstacles that the development of the Banking Union is encountering;
- urges the Member States to demonstrate the necessary commitment in order to overcome disagreements on the way forward to deepening the EMU.

Rapporteur: Javier Doz Orrit



Given the slowdown of the economy and the current economic risks, the EESC considers it a priority to boost economic growth and make economies more resilient, including labour markets. Stronger growth and economic resilience can be achieved by promoting public and private investment, combining fiscal and monetary policies, improving wages and developing the European Pillar of Social Rights. It is essential to come up with effective measures to tackle tax fraud and money laundering, aggressive tax planning and tax heavens with a view to promoting fairer and more efficient tax systems.

Javier Doz Orrit



2019

The European Semester and Cohesion policy - Towards a new European strategy post-2020



The European Semester could play a key role in implementing EU economic governance, measuring the balance between economic

performance and cohesion policy, and fulfilling the Social Agenda. For this purpose, a renewed European long-term strategy is indispensable: it can only be achieved by guaranteeing active involvement of organized civil society in the process. Within the EESC's structure, a platform for exchange of information could be established to address the implementation concerns relating to the EU2030.

Etele Baráth



The discussion leading to the final text of the opinion has perfectly shown that the European Semester and Cohesion Policy are closely interlinked, with a huge potential

to be utilized for an improvement of the EU economic policy coordination and governance. They could together create a new strategic approach resulting in a Cohesion Policy that is sharply focused on real priorities, responsible, well thematically concentrated, and able to contribute to the macroeconomic synergies and the EU added-value.

Petr Zahradník

The EESC

- considers that the links between the European Semester and EU cohesion policy have huge potential to be utilised to improve coordination and governance of the EU's economic policy. It is a sign of better governance and of a performance-based approach. Through its coordinating nature, it brings together the implementation of strategic economic, social and environmental goals, political priorities and interaction between short and long-term tasks;
- believes in the Semester process, and proposes that there should be a more balanced application of the incentive and differentiated, well-founded and carefully considered sanctions coordinating the implementation of the economic, social and environmental objectives;
- recognises with regret that the level of performance of the agreements is very different, depending on the status of macroeconomic development in each country. Implementation of the multiannual policies is generally low (between 40 and 50%);
- notes that a strengthened Semester process should be the most important element of economic policy coordination. Key issues include the implementation of the European Pillar of Social Rights, sustainable employment, the introduction of minimum social standards, on the basis of a common European framework, set by the European Semester, and also more ambitious climate targets and better protection of biodiversity;
- proposes that the renewed system of European governance based on the EU 2030 Strategy should focus more on results and set fewer priorities, facilitating access to administrative procedures and relying more on its understanding of and cooperation with civil society. All this must go hand in hand with the development of monitoring and evaluation systems. One important way of strengthening European governance is to enhance multi-level public administration and to open up more freely to participation;
- has to find a newly defined place in European policy and strategy preparation and implementation, taking up a new and stronger position in European governance. The EESC seeks to establish better understanding by strengthening a regular and structured dialogue with social partners and civil society and suggests that an EESC competence centre for exchange of information could be established to address implementation concerns in relation to a future EU strategy;
- believes that by conducting a continuous assessment of the complex targets, the Semester will prove capable of focusing on reducing the risk of crises in the future and of creating a sustainable, meaningful and responsive economic and social environment.

Rapporteur: Etele Baráth | **Co-rapporteur:** Petr Zahradník



Annual Growth Survey 2018

The EESC

- considers the framework of the European Semester to be of strategic importance and it is committed to continuing to contribute in the most effective way possible;
- endorses the priorities set out in the European Commission's 2018 Annual Growth Survey;
- reiterates its views regarding the fact that the AGS does not cover other relevant policy areas such as environmental policy or other relevant issues such as the quality of employment;
- supports the view that the key to increasing long-term growth is investment, innovation and knowledge, education and lifelong learning, particularly in green technologies and the circular economy but also in more traditional sectors;
- shares the Commission's view that economically and social reasonable and well-balanced structural reforms in well-functioning labour markets and product markets are essential for the adaptation of the European economy to long-term structural changes and possible economic and environmental shocks;
- considers the European Semester will need to be adapted to a future post-2020 strategy;
- reiterates the need to increase the role of organised civil society in the European Semester cycle and specifically in the preparation of the Annual Growth Survey.

Rapporteur: Dimitris Dimitriadis



The EESC endorses the 2018 Annual Growth Survey. We support in particular the view that economically and social reasonable and well-balanced structural reforms, in well-functioning labour markets and product markets, are essential for the adaptation of the European economy to long-term structural changes and possible economic and environmental shocks. Moreover, the European Semester needs to be adapted to a future post-2020 strategy and the role of organised civil society needs to increase.

Dimitris Dimitriadis



2017

Annual Growth Survey 2017



We endorse the priorities in the 2017 Annual Growth Survey. However, structural changes needed to achieve sustainable development require considerable funds, which will only be available if budgetary resources are used more effectively and investment is significantly increased. Moreover, the EESC strongly recommends that investing in education, training, healthcare and other social systems should be the priority, especially in regions with lower than average development.

Etele Baráth

- The European Economic and Social Committee (EESC) endorses the priorities set out in the European Commission's 2017 Annual Growth Survey.
- The European Semester is seen as a good instrument for further progress in policies and reform, leading to recovery and employment. The AGS 2017 outlines the most pressing economic and social priorities, accompanied by specific recommendations, however the EESC takes very seriously the negative aspects of the rules of the Stability and Growth Pact and Country-Specific Recommendations applied at national level to set the euro area fiscal stance.
- The EESC welcomes, in principle, the missions set out in the 2017 growth survey, as well as the distribution of tasks between the Commission and the Member States. It repeats its proposal – made previously, in its analysis of the 2016 growth survey – to supplement the European Semester. As well as increasing investment, structural reforms and strengthening macroeconomic balance, the main objectives should also include progress to be made in terms of “beyond GDP” indicators (social, environmental and sustainability targets).
- In the EESC's view, a clear and comprehensible overview of the political and strategic positions for the near future and for the longer term is essential. It is important that the priorities of the Juncker Commission as well as the 2030 targets, based on the Europe 2020 strategy (and which also cover sustainable development), jointly determine development processes.
- Analysing the consistency between traditional cohesion policy – currently undergoing a mid-term review – and its financing (ESI Funds) on the one hand, and the new investment instruments (EFSI) on the other hand, should be a focus of the Annual Growth Survey.

Rapporteur: Etele Baráth



Appendix

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Opinion of the EESC on the *Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank on the Annual Growth Survey 2019: For a stronger Europe in the face of global uncertainty*

Additional opinion

COM(2018) 770 final

OJ reference not available on the date of publication

Rapporteur: Anne Demelenne

Adopted at the Plenary Session of 30 and 31 October 2019



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Opinion of the EESC on the *Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank on the Annual Growth Survey 2019: For a stronger Europe in the face of global uncertainty*

COM(2018) 770 final

OJ C 190, 5.6.2019, p. 24

Rapporteur: Anne Demelenne

Adopted at the Plenary Session of 23 and 24 January 2019



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Information report of the EESC on the *2018-2019 European Semester country visits*

Rapporteur: Reine-Claude Mader

Adopted at the Plenary Session of 30 and 31 October 2019



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Opinion of the EESC on the *Proposal for a Council decision on guidelines for the employment policies of the Member States*

COM(2019) 151 final

OJ C 282, 20.8.2019, p. 32

Rapporteur: Anna Bontea

Adopted at the Plenary Session of 19 and 20 June 2019





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Opinion of the EESC on the *Recommendation for a Council Recommendation on the economic policy of the euro area*

Additional opinion
COM(2018) 759 final

OJ reference not available on the date of publication

Rapporteur: Petr Zahradník

Adopted at the Plenary Session of 30 and 31 October 2019



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Opinion of the EESC on the *Recommendation for a Council Recommendation on the economic policy of the euro area*

COM(2018) 759 final

OJ C 159, 10.5.2019, p. 49

Rapporteur: Javier Doz Orrit

Adopted at the Plenary Session of 23 and 24 January 2019



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Opinion of the EESC on *The European Semester and Cohesion policy - Towards a new European strategy post-2020*

Own-initiative opinion

OJ C 353, 18.10.2019, p. 39

Rapporteur: Etele Baráth

Co-rapporteur: Petr Zahradník

Adopted at the Plenary Session of 17 and 18 July 2019



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Opinion of the EESC on the *Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank — Annual Growth Survey 2018*

COM(2017) 690 final

OJ C 227, 28.6.2018, p. 95

Rapporteur: Dimitris Dimitriadis

Adopted at the Plenary Session of 14 and 15 February 2018



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Opinion of the EESC on the *Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank — Annual Growth Survey 2017*

COM(2016) 725 final

OJ C 173, 31.5.2017, p. 73

Rapporteur: Etele Baráth

Adopted at the Plenary Session of 22 and 23 February 2017





European Economic and Social Committee

Rue Belliard/Belliardstraat 99
1040 Bruxelles/Brussel
BELGIQUE/BELGIË

Published by: "Visits and Publications" Unit
EESC-2019-94-EN

www.eesc.europa.eu

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Print
QE-02-19-928-EN-C
ISBN 978-92-830-4625-7
doi:10.2864/829291

Online
QE-02-19-928-EN-N
ISBN 978-92-830-4626-4
doi:10.2864/91

EN