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COUNCIL

Explanatory note**Accompanying document to Council Recommendations to Member States under the European semester 2012**

(2012/C 219/29)

Article 2-ab(2) of Council Regulation (EC) No 1466/97 ⁽¹⁾ on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, which makes part of the section on 'Economic dialogue', states that 'The Council is expected to, as a rule, follow the recommendations and proposals of the Commission or explain its position publicly'.

In respect of this 'comply or explain rule' the Council hereby presents the following explanations to changes agreed to Commission Recommendations for Country-Specific Recommendations (CSRs) on Member States in the context of the 2012 European semester on which the Commission is in disagreement.

The Council has also agreed to a number of additions as well as factual or technical changes to recommendations with the full support of the Commission ⁽²⁾ (*).

BELGIUM

CSR 5

Agreed text:

Significantly shift taxes from labour to less growth-distortive taxes including for example environmental taxes. Pursue the initiated reform of the unemployment benefit system to reduce disincentives to work and strengthen the focus of employment support and activation policies on *older workers and* vulnerable groups, in particular people with a migrant background. Take advantage of the planned further regionalisation of labour market competencies to boost interregional labour mobility and to strengthen the coherence between education, lifelong learning, vocational training and employment policies. Extend existing activation efforts to all age groups.

Explanation:

The Council agreed that the main challenges with respect to labour market participation in Belgium are the low employment rate of migrant workers, as well as of older workers. Both need to be addressed. The multilateral surveillance reviews by the Employment Committee and its Employment Performance Monitor both confirm a focus on older workers as a key challenge in ensuring effective Active Labour Market Policies.

⁽¹⁾ OJ L 209, 2.8.1997, p. 1.

⁽²⁾ MS with no changes or for which changes have been made but in agreement with the Commission: CZ, DK, DE, EE, IE, EL, FR, CY, LT, LU, HU, MT, NL, AT, PT, RO, SI, SK, Euro zone.

(*) Text which has been modified appears in *italics*.

CSR 6

Agreed text:

Continue to strengthen competition in the retail sector by lowering barriers and reducing operational restrictions. Introduce measures to strengthen competition in the network industries (~~electricity and gas, telecom, postal services and transport~~) by revising regulatory barriers and reinforcing the institutional arrangements for effective enforcement of State aid rules.

Explanation:

The Council considered that nothing is gained by listing all network industries in the recommendation.

CSR 7

Agreed text:

Take further measures to ~~correct~~ enhance the ~~lack of~~ progress towards reaching the targets for reducing greenhouse gas emissions from non-ETS activities, in particular by ensuring a significant contribution to this goal from transport.

Explanation:

The Council considered it appropriate to recognise that measures have already been taken to reduce greenhouse gases. Considering that effects are difficult to measure in the short term and progress appears slow it was agreed to stress the need for further measures to be taken to enhance progress.

BULGARIA

CSR 2

Agreed text:

Take further steps to reduce risks to the sustainability and to improve adequacy of the pension system by ~~restricting access to early retirement and by~~ making the statutory retirement age the same for men and women with full career contributions. Introduce stricter criteria and controls for the allocation of invalidity pensions.

Explanation:

The Council considered it appropriate to recognise that considerable progress has already been achieved to restrict access to early retirement.

SPAIN

CSR 7

Agreed Text:

Improve the employability of vulnerable groups, combined with effective child and family support services in order to improve the situation of people at risk of poverty and/or social exclusion, and consequently to achieve the well-being of children.

Explanation:

The Council agreed to a change in this recommendation by placing a stronger focus on measures undertaken to foster employability of workers as the most suitable way to fight against poverty and social exclusion, and that consequently promoting access to training and employment of adults results in a more concrete way of improving the situation of children.

ITALY

CSR 4

Agreed text:

Adopt the labour market reform as a priority to tackle the segmentation of the labour market and establish an integrated unemployment benefit scheme. Take further action to incentivise labour market participation of women, in particular through the provision of childcare and elderly care. *Monitor and if needed reinforce the implementation of the new wage-setting framework in order to contribute to the alignment of wage growth and productivity at sector and company level. ~~To boost cost competitiveness, strengthen the link between wages set at sectoral level and productivity through further improvements to the wage setting framework, in consultation with social partners and in line with national practices.~~*

Explanation:

The Council agreed that focus at the current juncture should be on the implementation and monitoring of the newly introduced arrangements. If the results are not sufficient, further amendments to the wage-setting framework will however be needed. This message was reinforced by multilateral surveillance carried out by the EMCO and the EPC on the wages issue which noted that the focus for Italy should be to implement and monitor this reform.

LATVIA

CSR 5

Agreed text:

Further encourage energy efficiency by implementing measures and providing incentives for reducing energy costs and shifting consumption towards energy-efficient products, including vehicles, buildings and heating systems. Promote competition in major energy networks (~~electricity, natural gas, heating~~) and improve connectivity with EU energy networks.

Explanation:

The Council agreed to delete the list of specific energy networks in which competition should be improved as the situation in the three sectors are rather different and cannot be treated equally.

The Latvian gas market still faces obstacles regarding its liberalisation accordingly providing for derogation from the 3rd Energy package. Competition therefore cannot be seriously discussed before appropriate analysis of the market has been carried out. The electricity market is comparatively well developed and functions in line with the 3rd Energy package requirements. Whereas competition in heat supply in Latvia faces a need for significant investments due to its specific situation (district heating) and therefore competition in the heat sector is intended to be introduced only where it is economically reasonable and possible.

POLAND

CSR 4

Agreed text:

Reinforce efforts to increase the labour market participation of women and raise enrolment rates of children in both early childcare and pre-school education, by ensuring stable funding and investment in public infrastructure, the provision of qualified staff, and affordable access. Tackle entrenched practices of early retirement to increase exit ages from the labour market. Phase out the special pension scheme for miners with a view to ~~fully~~ integrating them into the general scheme. Take more ambitious, permanent steps to reform the KRUS to better reflect individual incomes.

Explanation:

The Council agreed to remove the reference to 'fully' integrating all employees of mining companies into the general scheme as it could be wrongly interpreted and would not take into account the specific situation of a number of miners whose work has a specific character or is provided under special circumstances, such as those who are working underground permanently and are directly involved in exploitation.

The intention of the government is to integrate miners into general pension system, i.e. capital based system. However, a very limited number of miners are subject to special rights as regards pension privileges before reaching the statutory retirement (defined by law), such as those whose work has specific character or is provided under special circumstances. In this case miners, who are working underground permanently and are directly involved in exploitation belong to the group of those professions that are defined as hazardous or arduous jobs have the right to some kind of bridge pensions before reaching the statutory retirement age. Intensive work is being carried out by the Central Institute for Labour Protection together with Social Insurance Institution (ZUS) to define precisely the underground activities that would entitle for the bridge pension. When these miners reach the statutory retirement age they will be treated in the same way as the rest.

FINLAND

CSR 3

Agreed text:

Implement the ongoing measures to improve the labour market position of young people and the long-term unemployed, with a particular focus on skills development. Take further steps to improve the employment rate of older workers, including by reducing early exit pathways. Take measures to increase the ~~statutory~~ effective retirement age taking into account ~~in line with~~ the improved life expectancy.

Explanation:

The Council noted that there are alternative ways to ensure that effective retirement age develops in line with life expectancy, either through increasing the statutory retirement or through adjusting the level of pension benefits. It was therefore agreed to adjust the recommendation to appropriately reflect that Finland has chosen the second route.

SWEDEN

CSR 3

Agreed text:

Take further measures to improve the labour market participation of youth and vulnerable groups e.g. by ~~improving the effectiveness of focusing on~~ active labour market ~~policy~~ measures, ~~facilitating the transition from school to work, promoting policies to increase demand for vulnerable groups and improving the functioning of the labour market. encouraging increased wage flexibility, notably at the lower end of the wage scale, and reviewing selected aspects of employment protection legislation like trial periods to ease the transition to permanent employment.~~ Review the effectiveness of the current reduced VAT rate for restaurants and catering services in support of job creation.

Explanation:

The Council agreed to adjust the text so as to better reflect the actual challenges of the Swedish labour market; i.e. improve the effectiveness of ALMPs, transition from school to work and government policies to increase the demand for vulnerable groups on the labour market.

In addition, the Council recognised that Sweden has a decentralised wage bargaining framework and concurred that social partners are responsible for wage bargaining and that government interference in the process would not be in line with the national system for wage formation. The reference to 'encouraging increased wage flexibility' was therefore considered inappropriate.

UNITED KINGDOM

CSR 3

Agreed Text:

Continue to improve the employability of young people, in particular those not in education, employment or training, including by using the Youth Contract. Ensure that apprenticeship schemes are taken up by more young people, have a sufficient focus on advanced and higher-level skills, and involve more small and medium-sized businesses. Take measures to reduce the high proportion of young people *aged 18-24* with very poor basic skills.

Explanation:

The work done in the Employment Performance Monitor dealing with early school leaving covers the 18-24 year age category. This is different from the CSR text proposed by the Commission, which uses the benchmark of 'young people leaving school'. Also, EMCO's multilateral review of the 2011 CSR was made on the basis of youth unemployment. This again is very different from 'young people leaving school'.
