

28.11.2016

Memo: European Commission presented Annual Growth Survey 2017

- 1.) On Wednesday, 16 November 2016, the European Commission presented its Annual Growth Survey (AGS) 2017, which was accompanied by the so-called “Autumn package” with additional reports and information but also a policy recommendation related to the AGS.

“This package sets out **economic and social priorities** (bold by FDF) for the EU, the euro area and the Member States’ levels. It marks the start of the European Semester 2017 and will be discussed with the other EU institutions and stakeholders to set the scene for the coming year. Once agreed, this guidance should be reflected in the Member States’ policies, in particular in their national programmes to be presented next spring.”¹

For *churches and the Conference of European Churches* the AGS is especially of interest in three respects:

- It provides information and analysis about the economic, employment and social situation of the EU and its Member States from the perspective of the European Commission.
 - It gives indications in which way employment and social issues are taken into account in the framework of EU economic policy. This might lead to conclusions as to what topics or demands a church towards a government and national policy or CEC towards the European institutions should be underlined or raised. The AGS can be a document of reference for churches in dialogue with governments and politicians.
 - For the CEC TRG ESI it is an important reference document for further work. The employment and social policy guidance in the AGS could be compared and related to the discussion of the Commission’s proposal for a European Pillar of Social Rights.
- 2.) As in the last years the Commission outlines a “virtuous triangle of economic policy” with the **three main priorities**: relaunching investment, pursuing structural reforms and ensuring responsible fiscal policies. Through the realisation of this triangle “the focus [shall be put] on social fairness to deliver more inclusive growth” (p5).²

¹ European Commission – Memo, Fact Sheet, 1.

² AGS 2017, p5 – further on the pages of the AGS 2017 will be indicated in the text.

More than in previous years the AGS highlights several times the **responsibility of the Member States** to overcome the weak economic recovery and the social problems in Europe. “...it is up to the Member States to deliver the bulk of the policy response” (p4).

- 2.1) In the priority area of **investment** the AGS underlines the importance to focus on “human capital and **social infrastructure**”. It points out the necessity for long-term care services and “affordable and flexible childcare facilities” as well as investment in “education and life-long learning” aiming for employability (p7). It seems that the Commission advocates that these areas can also be covered by the investment tools of the EU, especially the European Fund for Strategic Investments, which was initiated by President Juncker.

The same seems to apply for sustainable investments following the UN Paris Agreement (COP 21) in 2015.

By the way, I like to mention that the AGS argues also for International Trade Agreements as they stimulate investment and create jobs all over Europe (p9).

- 2.2) The political guidance on **structural reforms** focus much more on the labour market, employment and social policy issues than the AGS did beforehand.
- 2.2.1 One sub-chapter is related to **labour market policies** (p9-12). The AGS advocates for more flexible labour markets, in which the labour forces should be secured by different particular employment and social measures. The underlying assumption and conviction is that “growth and social fairness go hand in hand” (p10), therefore “access to quality services and in-kind benefits” need to be ensured to increase labour market participation. Reflecting the *demographic change* the employability of women has to be strengthened, a policy of *integration of migrants* by education policies into the labour market has to be developed. The Commission proposes to enhance and prolong the European initiatives to combat *youth unemployment*. *Education, professional training*, the definition of the relevant *skills* are of utmost importance for a changing world of work (e.g. digitalisation). The *wage setting* should balance productivity, the stimulation of demand and the need and financial space for research and innovation. In this regard *minimum wages* are considered.³
- 2.2.2 For the first time in an AGS **social policy** is presented “**as a productive factor**” (p12-13). The AGS reflects upon the challenges of the *modern welfare states*. It points out that *tax and benefit schemes* “should provide adequate social support and work incentives”, including the conviction that “*adequate minimum income benefits* should be ensured for those who lack sufficient resources for a decent standard of living”. Furthermore, reflections are given to the demographic change and the consequences for the *pension system* and the significance of *health policies* with the demand to ensure “universal access to cost effective public health and healthcare services”.

³ One document related to the AGS 2017 is the Draft Joint Employment Report, which gives a more detailed analysis about the labour and employment situation in the EU and its Member States. This report is required by Art 148 TFEU.

- 2.3) The third priority on **responsible fiscal policies** is of interest because the Commission relates to these reflections *inter alia* the proposal for a Council recommendation on the fiscal policy of the euro area.

With this recommendation the Commission breaks new ground insofar it addresses the euro zone as “if there were a Finance Minister for the euro area as a whole”⁴. This step will be discussed further in the announced White Book for March 2017 on the future of the European Union, including the deepening of the Economic and Monetary Union.

The recommendation is that the euro zone should have a **positive fiscal stance** in 2017 by a fiscal expansion of up to 0,5% of GDP in 2017 to strengthen the present economic recovery.⁵ The Commission explains that this expansion would consist of around 50 billion euros. And it addresses especially those Member States which have fiscal space to support domestic demand and quality investments.

- 3.) The AGS 2017 presents a greater sensitivity and higher attention to the significance of social and employment policies related to the economy. In the last months it can be observed that the Commission highlights regularly and prominently the interrelation of economic and social policy, pointing out that “those countries pursued comprehensive labour market and social protection reforms prior to the crisis have been better able to support employment and preserve fairness during the economic downturn” (p10). This might be a result of the intensive debates in Brussels, also with civil society organisations and churches, but it might also be a result of the Brexit-Referendum and the Trump elections in USA, putting the light of the so-called economically and socially “left behind” and the growing phenomenon of populism in Europe.

4.) **Additional information**

The AGS 2017 and the whole Autumn Package with all related documents:
https://ec.europa.eu/info/european-semester/european-semester-timeline/setting-priorities_en.

The AGS and some accompanying documents are given in some more languages, especially DE and FR.

Attached documents:

- Annual Growth Survey 2017, COM (2016) 725 final
- Recommendation for a Council Recommendation on the economic policy of the euro area, COM (2016) 726 final
- European Commission, Press release 16.11.2016
- European Commission, Memo, Fact sheet, Start of the 2017 European Semester: Autumn Package

⁴ European Commission – Memo, Fact Sheet, 2.

⁵ Recommendation for a Council Recommendation on the economic policy of the euro area, COM (2016) 726 final, 6.