



European Economic and Social Committee

EUR/008
Annual Growth Survey
2015

Brussels, 19 February 2015

OPINION

of the

European Economic and Social Committee

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 2015

COM(2014) 902 final

Rapporteur-general: **Gonçalo Lobo Xavier**

On 19 December 2014 the Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

Annual Growth Survey 2015
COM(2014) 902 final.

On 9 December 2014 the Committee Bureau instructed the Europe 2020 Steering Committee to prepare the Committee's work on the subject.

Given the urgent nature of the work, the European Economic and Social Committee appointed Mr Lobo Xavier as rapporteur-general at its 505th plenary session, held on 18 and 19 February 2015 (meeting of 19 February), and adopted the following opinion by 174 votes to 8 with 1 abstention.

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1. Conclusions and recommendations

1.1 The EESC welcomes the Commission's Annual Growth Survey (AGS) 2015¹ with its conceptual objective of promoting suitable growth levels to support Europe's recovery. The three pillars approach – boosting investment, structural reforms and responsive fiscal and budget consolidation - seems to be a good response to Europe's needs and the EESC supports the implementation plan aligned with a more effective European Semester. However the Committee also highlights that there are still some weaknesses in the process, bearing in mind that the AGS does not include social and environmental aspects, for example, and in particular it should make combating continuing mass unemployment and managing the social crisis an explicit policy priority. The AGS is the starting point for an effective European Semester and therefore the EESC believes that more commitment should be present concerning timeline obligations in order to get better involvement and better results.

1.2 The EESC believes that the confidence to invest also relies on the clarity and simplicity of the timeline proposed, combined with the involvement of the key stakeholders. Social partners and other civil society organisations in general must be involved in the process in order to achieve credibility. The EESC considers it vital that the Commission engages with the European Parliament and the social partners as well as other civil society organisations at European level, before the AGS is presented. The EESC acknowledges

¹For the "Annual Growth Survey 2015" see the European Commission website http://ec.europa.eu/europe2020/making-it-happen/annual-growth-surveys/index_en.htm

the efforts made by the Commission to encourage more civil society participation, also in cooperation with national parliaments, but cautions that a new 'civil society calendar'² must be implemented to achieve efficiency and real involvement, with effective results. A major effort from all the partners and institutions must be made to move from good intentions to consequences, and the EESC calls for a pro-active role from the social partners.

- 1.3 The EESC believes that it is not possible to implement a growth plan that supports job creation measures without investment. Therefore it is crucial for Europe to establish appropriate conditions for partnership-based investment involving both the private and public sectors. The effectiveness of the combination of policies proposed would be the right signal to boost confidence - essential for investment. The EESC considers it a major shortcoming that in its Investment Plan, which is in itself welcome, the Commission targets mainly private investment, largely ignoring the need for public investment. The EESC supports the ongoing discussion in the European Commission on applying the financial "golden rule", i.e. on excluding future-oriented public investments from the calculation of net public deficits under the EMU's fiscal rules³.

The EESC also points out that, no matter who is going to lead the investment, the key to success is a clear definition of the type of investment and its sustainability in the future. In this context, increased long-term investment in education and training systems will really benefit the labour market and enable Europeans to understand the social dimension of the challenge.

A proper approach is essential to combat youth unemployment – an unfortunate reality in Europe – and the Member States must combine their national policies to avoid exclusion and to promote the integration of disadvantaged groups of society into the labour market.

- 1.4 The EESC is truly convinced that industry plays a crucial role in the development of Europe. There is a wide variety of good examples of innovation in industrial sectors and this environment must be upscaled, in order to promote job creation and highly skilled human resources. The investment plan must recognise the added value of 'European industrial champions' and promote examples of innovation and good practice.

- 1.5 The EESC calls for attention to the promotion of social investment in this process. The EESC believes that social investment can play a critical role in the promotion of welfare and the eradication of poverty and exclusion; it has therefore already called for priorities to be set explicitly in the Annual Growth Surveys and country-specific recommendations⁴ and urges the promotion of measures enabling the relevant civil society actors to unlock

² See Appendix I

³ EESC opinion on *Impact of Social Investment*, OJ C 226, 16.7.2014, p. 21–27.

⁴ EESC opinion on *Towards Social Investment for Growth and Cohesion — Including implementing the European Social Fund 2014-20*, OJ C 271, 19.9.2013, p. 91–96 and EESC opinion on *Impact of Social Investment*, OJ C 226, 16.7.2014, p. 21–27.

the full potential of social economy enterprises and to reinforce the role of local communities⁵.

1.6 The EESC welcomes the effort made to promote Europe's potential through the digital market. The digital market can really boost the economy and employment growth if some key measures are taken. Only when common European data protection rules setting high standards are in place and when consumer confidence is restored will businesses be able to tap the full potential of the digital agenda. The EESC urges the Commission to accelerate internal market implementation to get the best out of this agenda.

1.7 The EESC believes that fiscal responsibility is needed from all Member States and it should be directly linked with employment promotion and social accountability. Respect for the compromises regarding balanced and responsible governance is essential to promote growth. The EESC supports growth-friendly fiscal consolidation and asks – where possible – the Member States to reduce the tax burden imposed by austerity policies on the citizens and calls for other measures to re-stimulate private investment without neglecting smart public investment.

1.8 The governance system aimed at achieving fiscal responsibility by more conscious and integrated budgetary surveillance is an interesting approach that could allow appropriate integration of EU policy recommendations into the preparation of national budgets. The EESC welcomes the simplification of the Semester, already recommended by the opinion on the 2014 AGS⁶ and would like such changes to be effective.

1.9 The Committee advocates more uniformity in the presentation of each Member State's budgetary situation. This will simplify comparisons and could be more efficient in achieving solutions at European level. It might also be interesting to review the calculation of the internal debt in order to get more real and balanced information.

2. Introduction

2.1 The Committee welcomes the AGS as a guideline for "refreshing" European policies aimed at boosting the economy and sustainable growth for all.

The European semester has proved to be working as a benchmark for introducing or strengthening fiscal policies or the structural reforms needed to ensure growth, and it has achieved tangible results; however, it could be criticised for the slowness of procedures and a lack of decisiveness regarding the best ways of emerging from the severe crisis that has racked Europe and is still being felt, to a greater or lesser degree, in all Member States.

⁵ See the Milan Declaration: [EESC calls for innovation in the Union's welfare systems to adapt to the new challenges ahead | European Economic and Social Committee](#)

⁶ EESC opinion on *the Annual Growth Survey 2014*, [OJ C 214, 8.7.2014, pp. 46–54](#).

2.2 The initiative's value cannot therefore be called into question, especially given the awareness of the constraints faced by each Member State in the light of growth policies, reflecting their specific circumstances and the speed at which they have implemented measures and reforms that have had an impact and achieved results.

2.3 In its AGS for 2015, the Commission clearly recommends an economic policy based on three main integrated pillars: investment growth, swifter structural reforms and responsible growth-friendly fiscal consolidation.

In the Commission's view, the way in which these three economic policy pillars are integrated will be the key to success and to achieving results that make it possible to reduce unemployment, in particular among young people. This will require structural reforms in the labour market, further pension reform, modernising social protection systems, making the markets for goods and services more flexible, improving the investment climate and business environment, improving the quality of investment in research, innovation, education and training and stepping up the quest for efficiency in public administration.

2.4 Interestingly, the Commission also makes a call for civil society participation throughout the process of growth and change, with particular emphasis on involving the social partners⁷. It also calls on Member States to engage national parliaments more actively, and to reach out to the public to become actively involved and help assess the policies to be implemented.

It is worth noting this effort to improve public participation at a time when there is concern that people feel far removed from the European project.

3. An integrated approach

3.1 Promoting investment

3.1.1 The EESC is convinced that the recovery of investment levels, in conjunction with investor confidence (among both institutions and individuals) is a key component of growth. It therefore welcomes the Investment Plan for Europe⁸, which addresses the need to promote crucial structural investments that create the conditions for the growth and sustainability required for competitiveness. However, the EESC considers it a major shortcoming that in its Investment Plan, which is in itself welcome, the Commission targets mainly private investment, largely ignoring the need for public investment. The EESC supports the ongoing discussion in the

⁷ See the recommendations made in the EESC opinion on the Annual Growth Survey 2014, and the EESC report on the mid-term review of Europe 2020 at <http://www.eesc.europa.eu/?i=portal.en.europe-2020-meetings.34402>.

⁸ For the "Investment Plan" see the European Commission website http://ec.europa.eu/priorities/jobs-growth-investment/plan/index_en.htm.

European Commission on applying the financial "golden rule", i.e. on excluding future-oriented public investments from the calculation of net public deficits under the EMU's fiscal rules⁹.

3.1.2 An analysis of the current situation shows that Europe has become less competitive than other global economies, due precisely to the fall in investment in critical areas such as upgrading equipment and access to technologies and improving education, to give just a few examples. While the EESC consequently endorses this plan to promote investment, a number of variables remain unclear and could undermine the plan's usefulness. The conceptual basis appears sound, but the EESC has doubts as to how the plan could be implemented fully and on a large scale.

3.1.3 The reservations that the EESC feels obliged to express with regard to the AGS recommendations largely concern the constraints still facing some Member States in terms of the levels of investment required. There is still considerable inequality in access to finance, especially for SMEs, which could undermine the initiative's usefulness, even if national governments demonstrate political will. At this stage, it remains unclear how this inequality will be tackled and reduced in order to promote inclusive investment in Europe, in spite of the most welcome Commission recommendations on SME access to finance, involving a new approach to insolvency and business failure and improvements to the regulatory framework aimed at enhancing long-term investment in SMEs.

3.1.4 The EESC also believes that existing and available investment programmes will be crucial to achieving growth-related goals and endorses the need to encourage Member States - including the general public, businesses and official bodies - to play an active part in programmes geared towards them which are designed to be inclusive and promote excellence, such as Horizon 2020¹⁰ (for innovation and research), the Connecting Europe Facility¹¹ (for infrastructure investments) and COSME¹² (for financing SMEs). The EESC also calls, however, for the programme-monitoring structures to be made more inclusive and "user-friendly" so as to foster excellence and fairer access for all institutions and Member States, without losing the rigour and excellence required of the programmes.

3.1.5 The EESC truly believes in the effectiveness of social investment and its direct impact on the well-being of the population. Public policy must not overlook the

9 EESC opinion on *Impact of Social Investment*, OJ C 226, 16.7.2014, p. 21–27.

10 For "Horizon 2020" see the European Commission website <http://ec.europa.eu/programmes/horizon2020>.

11 For the "Connecting Europe Facility" see the European Commission website <http://ec.europa.eu/digital-agenda/en/connecting-europe-facility>.

12 For "COSME" see the European Commission website http://ec.europa.eu/enterprise/initiatives/cosme/index_en.htm.

strength of social economy enterprises, not only because they are closely connected to civil society but also because there are good examples that could be replicated in similar situations. Europe must promote best practice from the Member States throughout the Community¹³.

3.2 Structural reforms

3.2.1 The single market for goods and services has always been at the heart of European integration. A great deal has already been achieved, through enormous efforts, but some areas that are critical for growth have still not changed. The EESC therefore welcomes Member States' efforts to break down barriers to the creation of a single market that is effective, efficient and fair. Nor does the EESC doubt the benefits to European consumers of an efficient single market for goods and services, which would make Europe a more attractive location for investment, thus having a direct impact on job creation and social well-being. The Committee believes, however, that it is important to make extra efforts and take practical steps towards achieving this objective.

3.2.2 The leading position that would be gained by creating a single digital market is therefore essential and is clearly something to which the EESC is fully committed. The EESC is fully convinced of the benefits of an efficient single digital market and considers that the financing arrangements for investments in infrastructure and knowledge should be geared toward this objective; however, it again notes the differences between Member States, which could hinder efficient integration.

3.2.3 Similarly, while fostering excellence and efficiency in the single digital market¹⁴, Europe must require its competitors to adhere to European rules and standards, as anything less would be unfair to the internal market itself. The EESC is not referring to protectionism or any other such measure, but it is simply calling for clarity throughout the process and for the proper implementation of the measures and requirements needed to lead the way in different parts of the economy and society.

3.2.4 The Committee takes the view that the plans for growth and job creation must be aligned with national reforms that boost high-quality labour participation, increase productivity and take the best from training and education systems.

3.3 The quest for responsible fiscal policy

3.3.1 Despite the improvement in Member States' performance on their domestic sovereign debt - the number of countries in excessive deficit fell from 24 in 2011 to

13 EESC opinion on *Social Impact Investment*, [OJ C 458, 19.12.2014, pp. 14–18](#).

14 EESC opinion on *Progress on implementation of the Europe 2020 strategy*, EUR/7 – EESC-2015-00034-00-00-AC-TRA.

11 in 2014¹⁵, which is a positive development - much remains to be done in this regard, especially with a view to medium- to long-term growth.

3.3.2 Member States' adjustment processes have been carried out at the expense of the public's social well-being, affecting everyone, both individuals and businesses. The EESC therefore considers that the Annual Growth Survey should make combating continuing mass unemployment and managing the social crisis an explicit policy priority.

3.3.3 The EESC welcomes a policy that combines fiscal responsibility with policies for economic growth but warns of the need to implement policies that reflect the true situation in each Member State. Applying generic measures to different situations has proven to be a recipe for failure. The Commission would not want to repeat recent mistakes.

3.3.4 The Committee urges the Commission to step up the fight against tax fraud and tax evasion. Good practices in combating tax fraud and tax evasion should be promoted and shared in order to obtain more efficiency and justice.

4. Improve the system of governance, making it more effective

4.1 The EESC has been particularly active in the assessment and review of the Europe 2020 strategy's implementation¹⁶. It is therefore with a sense of responsibility that the Committee considers that aligning the timing of the strategy's review with the European Semester and Council is a key measure for achieving the proposed objectives and for making the proposed measures more efficient, and also for reviewing the objectives themselves.

4.2 This alignment, as has been widely noted by the EESC's Europe 2020 Steering Committee, is crucial to assessing the effectiveness of the measures in place, to evaluating the set objectives and to adjusting any measures that are implemented, making them more efficient in the light of the real situation in Europe in general and in the Member States in particular.

4.3 The EESC welcomes the streamlining of the European Semester, especially the proposal to present a comprehensive single economic assessment per Member State and the advancement of its publication to March. The Committee considers it important that the country-specific recommendations (CSR) will also be presented earlier.

15 For the "excessive deficit" see the Annual Growth Survey 2015 on the European Commission website http://ec.europa.eu/europe2020/making-it-happen/annual-growth-surveys/index_en.htm, paragraph 4. PURSUING FISCAL RESPONSIBILITY

16 See EESC report on the Mid-term review of Europe 2020 at <http://www.eesc.europa.eu/?i=portal.en.europe-2020-meetings.34402>.

- 4.4 The EESC agrees with the Commission that the NRPs should be refocused and considers it essential that the social partners, as well as other civil society organisations, are involved at an early phase in their formulation. This will increase the ownership of the European Semester and lead to better implementation, by ultimately improving its democratic legitimacy.
- 4.5 The EESC underlines that the mid-term review of the Europe 2020 strategy should be published in a timely manner in order to give stakeholders sufficient time to prepare their positions.
- 4.6 The Committee believes that social innovation and social investment policy should be included in the review of the Europe 2020 strategy and supported by a dedicated flagship. The EESC calls for the introduction of social impact measurement in view of the progress of social policies, including social indicators in national progress reports.
- 4.7 Europe must take firm action by showing solidarity and respect for Member State sovereignty, responsiveness and above all, intelligent leadership in finding solutions that are inclusive and balanced, building a consensus that can rally the public around a project that is truly European and which benefits everyone.
- 4.8 The EESC is aware of the challenges ahead and is therefore concerned at the lack of ideas in the AGS report regarding environmental issues. It is to be expected that the investment plan should take account of these concerns, but a specific section on environmental challenges, opportunities and policy will also empower Europe's leadership in this area. It will also have an impact on trust and confidence in the future of industry in the EU as well as on people's welfare and on sustainability.

Brussels, 19 February 2015.

The President
of the
European Economic and Social Committee

Henri Malosse

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N.B.: Appendix overleaf.

APPENDIX I

Timetable of the European Semester – to see the timetable, please follow the link:

<http://www.eesc.europa.eu/?i=portal.en.europe-2020-opinions.34757>
