



Republic of Bulgaria  
ECONOMIC  
AND SOCIAL COUNCIL

## **RESOLUTION**

**on**

# **"Communication from the Commission - Annual Growth Survey 2013"**

**(own – initiative resolution)**

Sofia, 2013

The President Board of the Economic and Social Council (ESC) decided to develop a resolution on the following topic:

**"Communication from the Commission - Annual Growth Survey 2013"**

ESC President Prof. Lalko Dulevski submitted for discussion to the Plenary Session the draft resolution adopted by the President Board.

At its meeting held on 21 February 2013 the Plenary Session adopted the resolution.

## **1. GENERAL CONCLUSIONS AND RECOMMENDATIONS**

- 1.1.** The Economic and Social Council (ESC) notes with concern the measure of similarity between the Annual Growth Survey (AGS) 2013 and AGS 2012, and believes that this is a signal for the slowing down of structural reforms in a range of Member States as well as for insufficient implementation of specific national recommendations in 2012. What is observed is not only the lack of progress but also evident delays in achieving the main targets of the Europe 2020 Strategy.
- 1.2.** Moreover, according to the ESC, in AGS 2013 the European Commission (the Commission) does not pay the necessary attention to the progress related to the Europe 2020 targets – a key benchmark for monitoring the progress during the European Semester. In this regard, the ESC recommends that a comprehensive interim evaluation of the implementation of the Europe 2020 Strategy should be made by the end of 2013, which should serve as the basis for formulating the respective guidelines and priorities for 2014.
- 1.3.** In view of the growing importance of the European semester, the ESC believes that the dialogue in the Member States should include all stakeholders from the very onset of the semester – the preparation of the Annual Growth Survey and the appendices thereto.
- 1.4.** The ESC welcomes the efforts of the European Commission towards improving the time frame in the first phase by presenting early the AGS and the appendices thereto.
- 1.5.** The ESC believes that the multilateral dialogue concerning country – specific recommendations is necessary, but time constraints prevent its proper realisation. In the established time frame is actually very difficult for a Member State to consider the recommendations addressed to it as well as those addressed to the remaining 26 Member States within the given time limit.
- 1.6.** A step in the right direction is the set of improvements adopted in 2012 introducing the "thematic surveillance" by the Employment Committee and the Social Protection Committee of the European Commission. Furthermore, the ESC welcomes the Commission's efforts to publish together with AGS 2013 the first Annual Reports on the State of the Single Market Integration and the second Alert Mechanism Report concerning macroeconomic imbalances, both of which can contribute to the better preparation for the discussion of country-specific recommendations. The ESC believes that this is a good signal for consistency and determination to address the problems facing European economies and related to the crisis.
- 1.7.** According to the ESC, both in relation to the European Semester in 2012 and in terms of the Macroeconomic Imbalances Procedure, Member States were treated relatively equally, regardless of the differences in their economic situation. Therefore, the ESC considers that while implementing the specific recommendations addressed to them Member States need some discretion to

choose the course of action that best suits their national circumstances, particularly in areas that remain within their competence, such as tax policy and income policy.

- 1.8.** The ESC subscribes to the Commission's main message voiced in this year's survey<sup>1</sup> that "although EU policies are beginning to yield results – the deficits are decreasing, the tensions in the financial markets are being reduced, and there are signs that in some Member States competitiveness is improving – lengthy reforms are needed to achieve sustainable growth and create more jobs."
- 1.9.** The ESC supports the Commission's view that a major short-term challenge for Europe is to restore confidence and stabilise the economic and financial situation while at the same time implementing structural reforms that can lay the foundations for a sustainable recovery with a high rate of employment and allow the economy to transform in the medium term.
- 1.10.** At the same time the ESC points out that the Annual Growth Survey is based on estimates prepared by the Commission in the autumn and therefore calls for taking into account potential errors in these estimates as they may have implications for the budgetary adjustment required from the Member States.
- 1.11.** The ESC expresses its concern at the fact that a number of Eurozone Member States do not meet the criteria laid down in the Stability and Growth Pact, both in terms of the government budget deficit and the allowed government debt as a percentage of the country's GDP.
- 1.12.** In this regard, the ESC welcomes the actions to combat excessive deficits and debt in the Eurozone undertaken at the EU level, such as the Treaty establishing the European Stability Mechanism signed on 2 February 2012, Treaty on Stability, Coordination and Governance in the Economic and Monetary Union signed on 2 March 2012. These and many other actions undertaken by the European Commission and other EU institutions, according to the ESC are designed to restore the stability and confidence in the Eurozone as well as giving new impetus to the efforts of Member States that have not adopted the Euro as their currency to continue to pursue membership in the Eurozone.
- 1.13.** The ESC welcomes these actions leading towards "more Europe, not less Europe" and calls EU institutions and Member States to promote greater integration direct their efforts to supporting the economy and investment, which is currently the only solution to the crisis, as well as restoring the trust of investors, businesses and consumers.
- 1.14.** The ESC notes that the excessive emphasis on fiscal consolidation, austerity measures and restrictive policies may lead to delay in the implementation of the targets of growth and employment as well as education, science, research, reducing poverty and social exclusion. Furthermore, the ESC warns that cuts or even maintaining the current rates of spending in areas related to the

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<sup>1</sup> COMMUNICATION FROM THE COMMISSION Annual Growth Survey 2013 COM (2012) 750 final.

development of human capital and technological progress will have a negative impact on growth and employment.

- 1.15.** The ESC supports the Commission's efforts to achieve a genuine single market and expresses a unified position that a significant amount of political will is required from all European institutions and especially from the European Parliament and the European Council to successfully transpose the Commission's proposals into rules and regulations before the term of office of both the European Parliament and the European Commission expires in the spring of 2014.
- 1.16.** The ESC emphasises the importance of entrepreneurship and the creation of businesses, especially Small and Medium Enterprises (SMEs) for the process of economic recovery. They are the key drivers of economic growth, innovation and entrepreneurial skills and an important source of new jobs.
- 1.17.** According to the ESC, Member States should adopt measures encouraging job creation, such as tax reforms to promote employment, providing help and support for self – employment and starting businesses, improving the regulatory framework for doing business and facilitating the SMEs access to funding and public procurement, transforming informal employment and undeclared labour into regular employment, etc.
- 1.18.** The ESC welcomes the Commission's proposal for the "Youth Employment Package" and supports the initiative "Youth Guarantee," calling for the urgent implementation of the proposed measures and their funding from EU funds.
- 1.19.** The ESC repeatedly stated that consultations with the social partners and the civil dialogue strengthen people's confidence in the social basis of the adopted socio – economic measures and can thus guarantee the success of a policy at the national level.
- 1.20.** The ESC notes with concern the findings of the European Parliament (the Parliament)<sup>2</sup> that in many Member States the national parliaments, social partners and civil society have not taken part in the European Semester. At the same time, the Committee of the Regions<sup>3</sup> expresses its regret for the "partnership deficit" established by the analysis of the national reform programmes by 2012, especially in developing and managing growth and job creation policies.
- 1.21.** The European Economic and Social Committee (EESC), summing up its observations from different places,<sup>4</sup> notes that the centre of gravity has shifted from the national to the European level, which weakens the role and quality of consultation with the social partners and public participation at the national level. Moreover, the EESC notes problems with the coordination of scheduling social consultation procedures and the centralisation of reform programme

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<sup>2</sup> European Parliament Resolution of 26 October 2012 on the European semester for economic policy coordination: the implementation of the priorities for 2012 (2012/2150(INI))

<sup>3</sup> Declaration of the Bureau of the Committee of the Regions - Looking at the annual review of the European Commission concerning the growth in 2013

<sup>4</sup> CES2235-2012\_00\_00\_TRA\_PAC\_BG, EESC EUR/004 EC Communication of the Commission on Actions for stability, growth and jobs COM (2012) 299 final

preparation by the national authorities, which create little or no conditions for consultations with the social partners and with active social participation.

- 1.22. This gives a reason to the ESC to join the appeal of the EESC that European politicians, responsible for the decision-making in this area, should incorporate structurally the consultation with social partners and public participation into different political mechanisms within the framework of Europe 2020, and that the Commission should ensure more democratic legitimacy to this process.

## 2. INTRODUCTION

- 2.1. The European Semester is designed to ensure that the policies carried out by individual Member States correspond to the jointly agreed priorities and also can function as an appropriate framework for the coordination of national economic planning and budgeting in compliance with the Stability and Growth Pact and the Europe 2020 Strategy.
- 2.2. The framework of the European Semester was finally codified in Regulation (EC) № 1175/2011 of 16 November 2011 and as the basis of the economic and management package, it plays an important role in taking further steps towards a European Economic and Monetary Union (EMU).
- 2.3. The Annual Growth Survey should contribute to a common understanding of the priorities for action over the following twelve months at the national and the European level, which can then be incorporated into national economic and budgetary decisions, taking into account the country – specific recommendations of the European Council.
- 2.4. In 2012 the first European Semester was implemented in its entirety and this created the opportunity to take into account the lessons learned from this process in order to reach its full potential. The ESC welcomes the report in this regard prepared by the Council Presidency<sup>5</sup> and considers the recommendations to the Commission concerning the procedure as extremely accurate and urgent.
- 2.5. In AGS 2013 the Commission retains its priorities for the subsequent 12 – month period, so it is not expected that the country-specific recommendations will change significantly during the current year. In this regard, the ESC notes that it is essential for the Commission to lay a much stronger emphasis on the implementation of such recommendations.
- 2.6. The five priorities of the Commission for the next 12-month period are: pursuing differentiated growth-friendly fiscal consolidation; restoring normal lending to the economy; promoting growth and competitiveness for today and tomorrow; tackling unemployment and the social consequences of the crisis; and modernization of public administration.

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COUNCIL OF THE EUROPEAN UNION 13439/12 "European Semester 2012 - Lessons learned."

### **3. THE OBJECTIVES OF THE EUROPE 2020 STRATEGY SHOULD FIND THEIR NECESSARY PLACE IN THE ANNUAL GROWTH SURVEY.**

- 3.1.** The ESC notes with concern the measure of similarity between AGS 2013 and AGS 2012, which is a signal for a certain slowdown of structural reforms in a number of Member States as well as for insufficient implementation of specific national recommendations in 2012.
- 3.2.** Moreover, AGS 2013 does not give due attention on the progress in achieving the objectives of the Europe 2020 Strategy – a key progress benchmark during the respective European Semester. Indeed, there is not only a lack of progress, but rather serious delays in achieving the main objectives of the Europe 2020 Strategy.
- 3.3.** The ESC notes with a measure of concern that a decrease in the employment rate of the population aged between 20 and 64 is observed – from 70.3% in 2008 it has dropped to 68.6% in 2011. This certainly calls into question the possibility of reaching in 2020 the target of 75% employment among the population aged 20 – 64. Moreover, the recovery in the labour market and employment requires several years of sustained economic growth, which is unfortunately not expected in Europe also in 2013.
- 3.4.** The ESC proposes the formulation of an additional target with respect to the rate of youth employment and unemployment. The ESC believes that when European and national policies put a major emphasis during this and the following years on tackling youth unemployment and increasing youth employment, the effects of this policy will be reflected in one of the major targets of the Europe 2020 Strategy.
- 3.5.** Financial problems and budgetary constraints call into question the achievement of another major target – investing 3% of EU GDP in research, development and innovation. The data so far suggests that there is stagnation rather than progress with respect to this target.
- 3.6.** An extreme challenge for the Europe 2020 Strategy is the target of reducing the people at risk of poverty or social exclusion with at least 20 million by 2020. In this regard it is obvious that in most Member States challenges are increasing rather than achieving the necessary progress.
- 3.7.** The ESC repeatedly stated that achieving the objectives of the Europe 2020 Strategy concerning education is crucial. Despite some progress in increasing the percentage of the population aged 30-34 with higher education, the progress in reducing the percentage of early school-leavers is negligible.
- 3.8.** Furthermore, the ESC proposes to the Commission that the implementation of the target of reducing early school leaving should be monitored alongside the state of the labour market for persons with primary or lower education.
- 3.9.** In this regard, the ESC notes that despite the emerging trend of reducing early school leaving no increase in the employment of persons with primary or lower education is observed in 2011. It remains about 3 percentage points lower than in that 2008.

- 3.10. In light of these trends the ESC notes with concern the rising level of unemployment among the persons with primary or lower education, which during the period between 2008 and 2011 increased by 5.1 percentage points.
- 3.11. The ESC proposes to make the necessary evaluation of the implementation of the main targets of the Europe 2020 within the framework of the European Semester 2013 and discuss the possibilities for adding extra targets and monitoring indicators.
- 3.12. Moreover, there is a need for a clearer answer to the question to what extent do the key priorities specified in AGS 2013 and the guidelines expected from the Spring European Council ensure adequate preconditions and safeguards for implementing the objectives of the Europe 2020 Strategy.
- 3.13. The ESC believes that it is necessary to carry out a comprehensive interim evaluation of the implementation of the Europe 2020 Strategy by the end of 2013 and base all subsequent guidelines and priorities for 2014 on its findings.

#### **4. THERE SHOULD BE A STRONGER EMPHASIS ON GROWTH AND SUSTAINABLE DEVELOPMENT.**

- 4.1. The ESC notes that the overall vision of AGS 2013 is directed towards the general tracking correction measures taken in the European Union after the financial crisis and the determining of the social priorities of the EU for 2013. On the other hand, the adopted approach does not give sufficient understanding of the achievements of individual Member States, but rather uses general trends in the EU to track issues and developments in the Eurozone and in countries facing serious budgetary and debt problems (Greece, Spain Portugal, Italy, etc.). Whereas the economic issues of "catching-up" Member States, such as Bulgaria, Romania and others, are pushed to the background.
- 4.2. The ESC supports the approach adopted by the Commission in which each of the five AGS priorities focuses on achieving growth and providing jobs, with particular emphasis on justice. In this regard, the ESC expresses its agreement for prioritising simultaneously reform measures with short-term effect on economic growth and the appropriate model of economic growth in the medium term.
- 4.3. The ESC notes that the excessive emphasis on fiscal consolidation and restrictive austerity policies could lead to a delay in the implementation of the targets of growth and employment as well as education, science, research and reducing poverty and social exclusion.
- 4.4. Some international financial institutions, including the International Monetary Fund, in their report on "Global Economic Prospects" officially declared that they have overvalued the possibilities for fiscal consolidation as a universal tool for economic recovery, while at the same time they have undervalued the impact of economic multipliers. The International Labour Organisation warned that if coordinated measures are not undertaken to counterbalance budget discipline the

Eurozone countries face the risk of losing 4.5 million new jobs. Conversely, analyses<sup>6</sup> show that a more balanced fiscal consolidation, a more limited and slower consolidation programme, may lead to average growth of 0.7% points per year in the Eurozone for the period 2013-2017, which would also have a positive impact on the countries outside the Eurozone.

- 4.5.** In this regard, the ESC subscribes to the AGS recommendation of "being selective where cuts are envisaged so as to preserve future growth potential and essential social safety nets" and calls that higher priority should be given to investments in education, research and innovation. Also, special attention should be paid to maintaining or expanding the scope and effectiveness of services, active labour market and social protection policies.
- 4.6.** The ESC believes that given the demographic challenges and the cost pressures arising from ageing it is essential to undertake healthcare reforms which would guarantee the effectiveness and sustainability of the system, including more efficient use of public resources and public access to quality healthcare.
- 4.7.** The ESC finds particularly important the message in the AGS that "Member States should bear in mind possible fiscal risks arising from delaying consolidation in view of the challenges of high debt levels, the prospect of an ageing population and the relatively low growth potential in some countries, as well as the negative consequences that a change in market sentiment would create." Although at this stage consolidation is focused primarily on expenditure it is necessary to pay greater attention to the combination of reasonable income and expenditure measures generally conducive to growth.
- 4.8.** Moreover, according to the ESC, if consolidation is accommodated to a reliable medium-term budgetary framework and is accompanied by reforms to eliminate the long-term stability problems caused by ageing, its sustainability and positive effects will increase.
- 4.9.** With respect to long-term challenges to public finances, the ESC believes that the review of cost efficiency is becoming increasingly important and necessary for each Member State to achieve an acceptable balance between sustainable public finances and the provision of necessary public services.
- 4.10.** The ESC shares the Commission's position that cutting expenditure should not affect processes that influence positively actual and potential growth. Therefore, the ESC warns that cuts, or even maintaining the current rates of spending, in areas related to the development of human capital and technological progress would be detrimental to growth and employment.
- 4.11.** The ESC appeals to ensure effective and adequate investment in education, training and lifelong learning to fulfil all commitments set down in the Europe 2020 Strategy. That was also the main message of the European debate on education organised by the ESC, the EESC and the European Commission Representation in Bulgaria. The ESC welcomes the decision of the Bulgarian

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<sup>6</sup> Independent Annual Growth Survey for 2013, ECLM-IMK-OFCE

government to define education as a key priority in its "National Development Programme: Bulgaria 2020" and to develop Operational Programme "Science and Education for Smart Growth" for the subsequent programme period.

- 4.12.** The ESC supports the Commission's position that there is a need for "consistent support for research and development in both the public and private sector in order to achieve a better functioning education and training system and thus increase the general standard of acquired skills." The ESC embraces the Commission's decision to give high priority to education and issue the Communication "Rethinking Education: Investing in skills for better socio-economic outcomes."<sup>7</sup> The ESC is content that a number of the proposals made in its adopted acts have found their place in the Communication.
- 4.13.** The ESC shares the recommendations included in the section of AGS 2013 dedicated to boosting growth and competitiveness and linked to reforms for "ensuring a closer link between the worlds of business environment, employment and education" and to "improve the business environment by facilitating administrative procedures for starting a business." In its own acts the ESC has repeatedly highlighted these measures as necessary and crucial for growth and business. At the same time, the ESC finds that AGS 2013 pays little attention to the problems of achieving the target of participation in education and lifelong learning.
- 4.14.** To the ESC the de-industrialization of Europe is a process which should be addressed more seriously. To enhance and ensure the EU's role as a leader in the manufacturing industry and to encourage the preservation and creation of new jobs, it is necessary to work for proactive management of industrial restructuring in response to the challenges of global markets. It is the manufacturing of products with high added value that is the engine of economic growth and it should be given a special place in the Single Market Act, together with the promotion of policies and actions in the field of research and development.
- 4.15.** The ESC believes that it is essential to promote the development of sectors with potential for job creation such as healthcare, "silver" economy, green economy, tourism, construction etc.
- 4.16.** In its Resolution on the Single Market Act<sup>8</sup> the ESC fully supported the need for Europe to defend its interests and values more confidently on the world stage, in a spirit of reciprocity and mutual benefit, to meet the challenges of globalisation in the context of the Europe 2020 Strategy. The self-limitation of the EU on environmental issues – reducing emissions, increasing the share of green energy – if not bundled with similar action of other major economies, such as China, USA, Russia, India, etc., would lead to decreasing competitiveness without solving the environmental problems in Europe.

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<sup>7</sup> EC Communication "Rethinking Education: Investing in skills for better socio-economic outcomes", COM (2012) 669 final

<sup>8</sup> ESC Resolution on Communication from the Commission: "Single Market Act I"

- 4.17.** In the current economic crisis, a well-functioning and future-oriented single market is not only desirable but essential to the political and economic future of the European Union.
- 4.18.** More than two years after the publication of the first draft of the Single Market Act, the Commission has put forward legislative proposals on eleven of the twelve key actions in it but the European Parliament and the Council have not yet agreed on them. The ESC calls the Parliament, the Commission and the Council to act swiftly and efficiently to ensure the adoption of these legislative proposals prior to the expiration of the mandates of the Parliament and the Commission in the spring of 2014.
- 4.19.** The ESC supports the Commission's efforts to achieve a genuine single market and expresses its unified position that it will take a lot of political will by all EU institutions, especially by the European Parliament and the Council to successfully transform the Commission's proposals into legislation and regulations.
- 4.20.** Measures to release the potential of the single market for businesses, consumers, citizens and other stakeholders should be undertaken primarily in services, access to finance, removing the administrative burden on small and medium enterprises, electronic commerce, the digital single market and mobility. Such action should be accompanied by measures aimed at strengthening consumer protection and consumer confidence as well as duly balancing out the social aspects of the single market by supporting the social economy respecting the need for social cohesion and the rights and interests of the citizens.
- 4.21.** The ESC emphasises the importance of entrepreneurship and the creation of enterprises, especially SMEs, during the process of economic recovery. They are key drivers of economic growth, innovation and entrepreneurial skills and an important source of new jobs.
- 4.22.** The ESC believes that the Annual Growth Survey should pay more attention to the development of the social economy in the Member States. It is a fact that social enterprises resisted much better the turmoil caused by the crisis and continued to provide employment opportunities. The ESC notes that establishment of reliable statistical database for the enterprises participating in the social economy is a prerequisite for the effective analysis and the subsequent monitoring of its development.
- 4.23.** According to the ESC, Member States should adopt measures that encourage job creation, such as tax reforms promoting employment, aid and support self-employment and starting businesses, improve the regulatory framework for doing business and facilitate access for SMEs to finance and participation in public procurement, convert informal employment and undeclared work into regular employment, etc.
- 4.24.** The ESC welcomes the Commission's initiative to improve the conditions for exercising economic activity and the effective implementation of the "Better Regulation" programme. More effective action should be undertaken for making a qualitative assessment of the impact of regulations prior to their adoption.

- 4.25. Expanding the number of electronic services offered by state and local institutions, including the filing and recording of documents of European projects electronically will reduce the administrative burden which is still difficult for businesses and citizens in some Member States.
- 4.26. The ESC reaffirms its position that the fight against the informal economy and ensuring the rule of law are essential to the promotion of entrepreneurship at the national level. The ESC notes that companies applying different illegal and unfair practices compete illegitimately with enterprises observing the requirements of the law, contributing to the tax system, creating quality jobs and working for the achievement of sustainable growth.

## **5. STRONGER SUPPORT FOR EMPLOYMENT AND SOCIAL PROTECTION SYSTEMS**

- 5.1. The ESC expresses its concern for the trends reported in AGS 2013 of permanent reduction in the employment of the population aged 20-64, with unemployment reaching the record high of 11.6% in September 2012. Another similar trend is shown by the fact that since 2008 until now the rate of job loss is 4 times higher than that of job gain.
- 5.2. In this regard, the ESC expresses its utmost concern that if these trends continue in 2013, the potential of most Member States, as well as that of the EU as a whole, will fail to ensure the achievement of the Europe 2020 targets concerning employment, tackling poverty and social exclusion.
- 5.3. According to the ESC, another very negative impact on employment, besides the crisis, are the emerging structural challenges such as ageing and the deterioration of human capital, dynamic technological changes, the inadequate restructuring of the workforce quality, the increasing competition outside the EU, etc.
- 5.4. Over the past few years the EU and its Member States have undertaken a number of actions aiming to improve the quality of the workforce which essentially relate to labour supply. According to the ESC, however, much less attention is paid to policies and measures in concerning the other major side of the labour market – labour demand.
- 5.5. The ESC agrees that employment policies should not only increase and improve the supply of labour but also provide favourable conditions for the creation of new jobs. Moreover, employment policies should be seen as significant social investments that will prevent the formation of larger social budget expenditure in the long run.
- 5.6. The ESC notes that the previous use of subsidies for employment has often been aimed at mitigating unemployment among disadvantaged groups. In this regard, the ESC agrees that in the context of the current crisis and the observed restructuring of jobs subsidised employment is probably the main source of reducing employment problems for disadvantaged people.

- 5.7.** The ESC considers necessary the development of a new type of policy through a balanced use of subsidies for vulnerable groups and the provision of incentives for the creation of new jobs in other segments of the labour market. Furthermore, the ESC proposes that the Employment Package should include necessary measures to support job creation in activities and sectors with potential for sustainable development and increasing labour productivity.
- 5.8.** In AGS 2013 admits that "After several years of weak growth, the crisis is having severe social consequences ... Unemployment has increased substantially and hardship and poverty are on the rise." The ESC agrees with the statement that certain populations groups in the EU are more seriously affected by these processes, including young people, people with disabilities, long-term unemployed people, people with low education and qualification, single parents, etc.
- 5.9.** The ESC appreciates the initiatives proposed in AGS 2013 concerning the prevention of early school leaving. However, the ESC notes that only by facilitating "the transition from school to work by developing quality traineeships, apprenticeships and dual learning models..."<sup>9</sup> it is unlikely to achieve the required reduction in the share of students who drop out of school even at the level of primary education. It is more important to identify the factors and causes that lead to increased risk of dropping out of school and think of possible countermeasures. The ESC elaborated on the problems of early school leaving in its opinion entitled: "Policies to reduce early school leaving."<sup>10</sup>
- 5.10.** The ESC highlights the need for more flexible and dynamic labour markets that can adapt more easily to disturbances in the economic situation, more inclusive, favouring a greater participation of the workforce, especially the disadvantaged and vulnerable groups. At the same time, austerity measures should not affect the quality of employment nor the social protection systems and the standards for health and safety at work.
- 5.11.** Labour markets in some Member States were prepared to meet the challenges posed by the rapid pace of economic restructuring and job vacancies in several emerging sectors lack the necessary skilled professionals.
- 5.12.** The ESC supports the major emphases in the Commission's package of legislative proposals concerning employment and more specifically the use of so called "green jobs," applying new tools for forecasting and monitoring the skills of the workforce and responsible management. Furthermore, the ESC finds expedient the proposal that starting from 2013 National Action Plans for employment should become part of the National Reform Programmes, and specific recommendations to Member States should from now on include specific proposals for developing the labour markets.
- 5.13.** In AGS 2013 the Commission calls for further efforts to enhance the flexibility of the labour markets and to invest in human capital, which is essential to help

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<sup>9</sup> Communication from the Commission "Annual Growth Survey 2013", COM (2012) 750 final, Brussels, 28 November 2012, p. 14.

<sup>10</sup> ESC/2/033/2012

businesses employ staff, adapt, and allow more people to remain active and take advantage of the provided opportunities. In this regard, the ESC has elaborated and adopted a resolution on the Communication from the Commission "Towards a job-rich recovery"<sup>11</sup>.

- 5.14.** The ESC believes that at the level of the EU there is a need to rethink the concept of the so called "flexicurity." Although the measures underlying the concept of flexicurity, such as flexible or reduced working hours, helped many EU workers to keep their employment during the crisis, they are now more of a hindrance in finding a lasting and secure employment. The ESC notes that less attention is devoted to the second part of the "flexicurity" system, namely job "security".
- 5.15.** The proposal to offset the tax burden on labour at the expense of shifting it to environmental taxes, consumption taxes, property taxes, requires very careful evaluation of the possible impact on individuals and businesses. In this regard, the ESC believes that these issues of tax policy should be predominantly subject to national policy and should be decided after taking into account the individual peculiarities and problems of each Member State.
- 5.16.** The ESC believes that the in-work poverty in the EU remains a significant challenge and it has not decreased during the first decade of this century. In recent years, the average rate of in-work poverty in the EU is about 8-9%, while in some Member States it reaches more than 15%. The pay gap between men and women also remains high – an average of 17% for the whole EU. This mainly affects young people, women and those employed in temporary and part-time jobs.
- 5.17.** The ESC calls for measures to combat youth unemployment, including targeted active measures associated with the policy of labour market, traineeship schemes, promoting entrepreneurship, effective support for business development for young people and appropriate frameworks to ensure the transition from education to work. At the same time, the ESC welcomes the "Youth Employment Package" proposed by the Commission, upholds the initiative "Youth Guarantee," and calls for the urgent implementation of the proposed measures and their financial support with EU funds.
- 5.18.** The ESC notes that with respect to the youth in Europe a significant problem remains the transition from education to employment. Moreover, young people often work in precarious jobs and remain employed for only a short period of time, which does not give them the right to unemployment benefits. In this regard, the ESC recommends legislative changes to ensure the access of young people to unemployment benefits and other social payments and reduce the risk of poverty among them.
- 5.19.** In connection to the Commission's recommendation in the Macroeconomic Report prepared together with the AGS to link the retirement age to life expectancy, the ESC proposes not to allow the retirement age in countries with

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<sup>11</sup> [www.esc.bg](http://www.esc.bg)

lower life expectancy to be higher than the retirement age in countries with significantly higher life expectancy.

**5.20.** The ESC also considers necessary that the main European strategic documents should include provisions for better coordination and harmonisation of the policies concerning the modernisation and reformation of the pension systems in EU Member States.

In conclusion, the ESC believes within the process of developing the national reform programmes it is appropriate to organise a broader dialogue with the involvement of social partners and civil society organisations. In this regard, the ESC proposes to the Commission to reconsider the timetable and provide the intervals necessary for conducting proper national debates on the respective issues.

The ESC calls for state leaders and European institutions to reach an agreement on the next multiannual financial framework and to maintain the resources intended to help achieve Europe 2020 targets.

**Prof. Lalko Dulevski, Ph.D**  
**PRESIDENT OF THE ECONOMIC AND SOCIAL COUNCIL**