

European semester

Member states warned against slacking on 2020 targets

By Sarah Collins | Tuesday 07 June 2011

The EU is at risk of missing its 2020 employment target if governments do not do more to create jobs, European Commission President José Manuel Barroso has warned. Speaking after making a series of recommendations on public spending, taxes and economic reforms to the EU's 27 governments, on 7 June, he also warned that the Union could fail to reach its goals on research and development expenditure, energy efficiency, third-level education and poverty reduction.

Member states are being told to make more ambitious budget cuts, reform tax systems and make more specific fiscal commitments beyond 2011. On jobs, increasing the retirement age, doing away with early retirement schemes and improving child care are essential to get people back into the workplace, while reducing taxes on labour and improving employment contracts are also important. Start-up companies should be faced with less regulation, while incentives should be given to businesses to invest in research and development.

The recommendations come at the end of the first European semester, the EU's new six-month fiscal planning period, where governments submit plans setting out how they intend to meet the Commission's jobs, growth and fiscal targets. These plans are then used as the basis for a series of recommendations from the EU executive each June, which are signed off by EU leaders.

"This is not an exercise in diplomacy, it's an exercise in collective policy making," Barroso told reporters in Strasbourg. "This comes because the crisis has shown [that] we are really now interdependent". The recommendations - which include a separate document for eurozone countries - address specific policies, covering tax, pensions, participation in the labour market, education, health and banking.

This year's recommendations include:

Greece, Ireland, Portugal, Romania, Latvia: Stick to the bailout programmes

Germany: Restructure the ailing Landesbanken (regional bank) sector, reduce taxes for the low paid and dismantle tax disincentives for second earners to work

France: Stand ready to make additional savings to meet a 2013 deficit reduction target of 3% of GDP, and spell out measures for 2012 and beyond

Austria: Step up the pace of deficit reduction, reduce taxes on workers

Belgium: Enact more ambitious spending cuts in 2011, finish restructuring the banking sector, reduce high labour taxes and reform wage bargaining systems

Hungary: Make additional savings in 2012 to ensure a maximum 3% of GDP budget deficit, specify the new debt reduction rules

Italy: Introduce binding spending limits, make better use of EU Cohesion Funds to even out differences between regions

Spain: Adopt additional austerity plan in case revenues and growth are not as high as expected, step up reform of savings banks

UK: Continue with budget cuts, but make sure to make research and infrastructure investments, reform the mortgage market, property tax and planning systems.

“This is a crisis which has both country-specific and systemic features,” Economic Affairs Commissioner Olli Rehn said. “It’s logical that we should try to overcome the crisis by taking actions both at country level and at European level,” he added, saying that June would mark the “beginning of the end of the crisis”. EU countries are also due to reach a compromise on economic governance this month, as well as finalise the publication of a third round of EU-wide banking stress tests.

The communication is available at www.europolitics.info > Search = 295233

Country-specific recommendations are available at ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm

European semester: Timeline

January: Release of the annual growth survey, a ten-point plan to aid government spending and reform priorities

April-May: Governments submit stability or convergence programmes (detailing spending and revenue measures to maintain budget deficits under 3% of GDP) and national reform programmes (growth and jobs reforms to meet the 2020 targets)

June: Commission releases country-specific recommendations, non-binding advice to member states on how to meet the budget and 2020 targets. These are then signed off by governments at the European Council, with any necessary amendments.