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REPORT

on the European Semester for economic policy coordination: employment and social priorities for 2024
(2023/2116(INI))

Committee on Employment and Social Affairs

Rapporteur: Dragoş Pişlaru

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the European Semester for economic policy coordination: employment and social priorities for 2024 (2023/2116(INI))

The European Parliament,

- having regard to Article 3 of the Treaty on European Union,
- having regard to Articles 9 and 149 of the Treaty on the Functioning of the European Union (TFEU),
- having regard to the Commission communication of 21 November 2023 entitled ‘Annual Sustainable Growth Survey 2024’ (COM(2023)0901),
- having regard to the Commission proposal of 21 November 2023 for a joint employment report from the Commission and the Council (COM(2023)0904),
- having regard to the Commission recommendation of 21 November 2023 for a Council recommendation on the economic policy of the euro area (COM(2023)0903),
- having regard to the Commission communication of 21 November 2023 entitled ‘Alert Mechanism Report 2024’ (COM(2023)0902),
- having regard to the Commission communication of 21 November 2023 on the 2024 Draft Budgetary Plans: Overall Assessment (COM(2023)0900),
- having regard to the Council Recommendation of 27 November 2023 on developing social economy framework conditions¹,
- having regard to its resolution of 5 July 2023 on women’s poverty in Europe²,
- having regard to the European Pillar of Social Rights (EPSR), proclaimed by the Council, Parliament and the Commission in November 2017,
- having regard to the European Social Charter (ESC), referred to in the preamble of the EPSR,
- having regard to the Commission communication of 9 November 2022 entitled ‘Communication on orientations for a reform of the EU economic governance framework’ (COM(2022)0583),

¹ OJ C, C/2023/1344, 29.11.2023, ELI: <http://data.europa.eu/eli/C/2023/1344/oj>.

² OJ C 47, 7.2.2023, p. 2.

- having regard to the Council Recommendation of 30 January 2023 on adequate minimum income ensuring active inclusion³,
- having regard to the Commission proposal of 26 April 2023 for a regulation of the European Parliament and of the Council on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (COM(2023)0240),
- having regard to the opinion of the European Economic and Social Committee on the Social Progress Protocol⁴,
- having regard to its position on the proposal for a regulation of the European Parliament and of the Council on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 and to the opinion of the Committee on Employment and Social Affairs thereon (COM(2023)0240 - C9-0150/2023 - 2023/0138(COD)),
- having regard to the report of the European Foundation for the Improvement of Living and Working Conditions (Eurofound) and the European Environment Agency of 3 August 2023 entitled ‘Green, clean and keen to converge? A convergence analysis of environmental quality of life in the EU’,,
- having regard to the Eurofound report of 21 September 2023 entitled ‘Guaranteeing access to services for children in the EU’,
- having regard to the Eurofound report of 28 March 2023 entitled ‘Measures to tackle labour shortages: Lessons for future policy’,
- having regard to the Eurofound policy brief of 10 October 2023 entitled ‘Job quality of COVID-19 pandemic essential workers’
- having regard to the Eurofound report of 18 October 2023 entitled ‘Bridging the rural-urban divide: Addressing inequalities and empowering communities’,
- having regard to the Eurofound report of 25 October 2023 entitled ‘Fit for 55 climate package: Impact on EU employment by 2030’,
- having regard to the Eurofound policy brief of 19 December 2023 entitled ‘Intergenerational inequalities: How to close the gaps?’,
- having regard to the Eurofound report of 30 November 2023 entitled ‘Right to disconnect: Implementation and impact at company level’,
- having regard to the Eurofound report of 29 August 2023 entitled ‘Societal implications of labour market instability’,
- having regard to Rule 54 of its Rules of Procedure,

³ OJ C 41, 3.2.2023, p. 1.

⁴ OJ C 293, 18.8.2023, p.42.

- having regard to the report of the Committee on Employment and Social Affairs (A9-0050/2024),
- A. whereas, according to the Commission’s 2023 autumn economic forecast, the EU labour market continued to perform strongly in the first half of 2023, despite the slowdown in economic growth and differences reported across Member States and regions, as well as across sectors; whereas employment growth in the EU is projected at 1.0 % this year, with a projected easing to 0.4 % in both 2024 and 2025; whereas the unemployment rate in the EU is expected to remain broadly stable at 6.0 % in 2023 and 2024, which is the lowest rate ever recorded for the EU, and to edge down to 5.9 % in 2025; whereas gender inequalities in the labour market remain widespread and are reflected in both gender employment and pay gaps; whereas despite some recent improvements, persons with disabilities still face significant barriers in the labour market; whereas youth unemployment remains almost three times higher than that of the overall working-age population in the EU and young people continue to face challenges integrating into labour markets in many Member States;
- B. whereas the Annual Sustainable Growth Survey for 2024 highlights that despite marked wage increases in the EU in 2022 and the beginning of 2023, these remained below the high inflation rates and resulted in reduced purchasing power, affecting lower incomes the most; whereas the nominal increases in minimum wages in some Member States did not result in significant gains in purchasing power among minimum-wages earners⁵; whereas real wages in the EU decreased by 3.7 % in 2022, increasing the risk of poverty and in-work poverty, which is further exacerbated by factors such as family composition (single parent households being especially affected); whereas real wages are expected to increase as of 2024 as a result of continued nominal wage growth and declining inflation, albeit with great disparities between countries; whereas in this context, strong social dialogue and effective collective bargaining, in accordance with national practices, is crucial to achieve an overall wage growth that supports purchasing power, notably of low and middle-wage earners;
- C. whereas the risk of poverty or social exclusion remains greater for women, young adults, people with a low level of educational attainment and the unemployed; whereas there remain many gaps in access to unemployment benefits and minimum income schemes, including among the self-employed and workers with non-standard contracts, and groups of younger people, with 61 % of unemployed people receiving no benefits or assistance in the EU in 2022⁶; whereas this situation is compounded by the fact that adequate and secure housing is becoming unaffordable for many⁷; whereas Eurofound research shows that both non-permanent contracts and job insecurity are associated with lower trust in other people and a lower perception of fairness;
- D. whereas Russia’s unprovoked and unjustified war of aggression against Ukraine has exacerbated existing inequalities within the EU, triggering humanitarian, energy,

⁵ Eurofound, *Minimum wages in 2023: Annual review*, ‘Minimum wages in the EU series’, Publications Office of the European Union, Luxembourg, 2023.

⁶ Eurofound, *Social protection 2.0 - Unemployment and minimum income schemes*, Publications Office of the European Union, Luxembourg, 2024, forthcoming.

⁷ Eurofound, *Unaffordable and inadequate housing in Europe*, Publications Office of the European Union, Luxembourg, 2023.

economic and social crises; whereas we see the detrimental impact of wide income disparities on both economic growth and social unity; whereas fiscal consolidation can only be fair and sustainable if it does not hamper the reduction of social, economic and regional inequalities; whereas the EU is still facing a surge in the cost of living and persistent inflation, largely propelled by soaring prices of energy, fuel, food and essential commodities, and undue, excessive corporate profits in the energy sector⁸, precipitating an economic and social crisis throughout Europe; whereas, energy prices in the EU remain high on average compared to pre-crisis levels and prices in the rest of the world;

- E. whereas the Commission's 2023 autumn economic forecast stressed that uncertainty and downside risks to the economic outlook have increased in recent months because of Russia's protracted war of aggression against Ukraine and the wider regional consequences of the Israeli-Palestinian conflict, and that the transmission of monetary tightening may weigh on economic activity for longer and to a larger degree than projected in this forecast, as adjusting the finances of firms, households and governments to the high interest rate environment could prove more challenging; whereas households with flexible rate mortgages are already facing increased costs⁹;
- F. whereas the digital and green transitions could have a significant impact on the environment and the people affected, but also on the economy, including the labour market and companies, and could give rise to further regional disparities if not properly addressed; whereas, if well managed and sufficiently supported, the twin transitions will greatly expand some economic activities while transforming other economic activities and their potential for sustainable growth; whereas a holistic and ambitious policy response at EU level is essential to minimise the social, economic and labour market impact of the transitions while maximising their quality employment potential; whereas under the European Semester framework for economic and social policy coordination, the Recovery and Resilience Facility has addressed the green and digital transitions, in which women are notably under-represented; whereas both territorial and gender perspectives are essential elements for a genuine just transition;
- G. whereas climate change, global warming and biodiversity loss are accelerating exponentially and the consequences of climate breakdown and extreme weather events are being felt more intensely and more frequently than before by EU citizens; whereas the socio-economic consequences of the green transition will be unevenly distributed across the EU and among its territories and will consequently require the expansion of economic activities related to renewable energy, energy efficiency and the circular economy; whereas 2030 decarbonisation targets have been increased in order to achieve carbon-neutrality by 2050; whereas Eurofound research shows that the EU's Fit for 55 climate package of legislation is estimated to lead to a net creation of 204 000 jobs in the EU over the 2019–2030 period;
- H. whereas according to the OECD, 26.7 % of the total workforce of its member countries were in jobs at high risk of automation in 2019; whereas just transition policies should be inclusive and focus primarily on the most affected communities and the most

⁸ https://www.ecb.europa.eu/pub/economic-bulletin/focus/2023/html/ecb.ebbox202304_03~705befadac.en.html.

⁹ Eurofound, *Unaffordable and inadequate housing in Europe*, Publications Office of the European Union, Luxembourg, 2023.

vulnerable groups, but also provide opportunities for skilling, re-skilling and up-skilling and the opportunity to create quality jobs, tackle discrimination at work, protect workers' rights and raise labour standards within the single market; whereas significant further efforts are needed to improve the digital skills of the EU's population, particularly among people with low qualifications, older people and third country nationals; whereas digitalisation, robotisation, automation and artificial intelligence must benefit workers and society by improving working conditions and quality of life, ensuring a good work-life balance, creating better employment opportunities and contributing to socioeconomic convergence; whereas workers and their trade unions will play a critical role in anticipating and tackling risks emerging from those challenges;

- I. whereas the EU debt-to-GDP ratio is projected to be 79 % for 2024 and 2025; whereas with regard to the general escape clause under the Stability and Growth Pact, which expires at the end of 2023, monetary policy has an important role in reducing inflation, and Member States' fiscal policy needs to safeguard fiscal sustainability while providing sufficient space for additional investments, including investment in social protection, quality social infrastructure and social services and support for long-term economic growth, strengthening competitiveness and resilience and enhancing democratic legitimacy by increasing the transparency of the debt sustainability analysis and strengthening the role of Member States in deciding their fiscal trajectory; whereas economic coordination policies should aim to implement the objectives of the EPSR and the UN Sustainable Development Goals (SDGs) in order to make progress towards more inclusiveness and resilience; whereas the necessary space for key social investments to implement the principles of the EPSR and to achieve the targets for the reduction of poverty should be ensured in the planned fiscal adjustments of the Member States;
- J. whereas the joint employment report for 2024 provides a first assessment of Member States' state of play on the three headline targets for 2030 and shows: good progress towards the employment target with an employment level of 74.6 %, but with significant differences between Member States and regions in terms of employment stability, quality of working conditions, gender and age; progress by the majority of Member States towards their national poverty reduction targets, but changes in the opposite direction by others; a need for significant progress to reach the EU headline target of 60 % of adults in learning every year in the EU by 2030, from a low level of 37.4 % in 2016;
- K. whereas the inclusion of a social convergence framework in a revised and more democratic European Semester should foster upward social convergence and should improve the assessment and monitoring of employment and social developments in the Member States and the EU by identifying and addressing risks to upward convergence for Member States in the joint employment report based on the Social Scoreboard headline indicators and through the Commission's publication of social convergence reports for those Member States identified as facing risks to upward social convergence; whereas Eurofound convergence analysis shows that populations at risk of poverty (AROP) and at risk of poverty and social exclusion (AROPE) are more impacted by economic downturns and are more vulnerable to energy crises and inadequate housing; whereas Eurofound research monitoring the progress of the Child Guarantee shows that

children in rural areas and those living at risk of poverty are more likely to have a less successful academic path and leave education sooner;

- L. whereas upskilling workers for the twin transition and ensuring that they are active players in a changing labour market is of key importance to ensure sustainable growth and development, increased innovation and competitiveness and the sustainable and just transition of the EU economy; whereas there is a need for targeted support and opportunities for recent graduates and young professionals in their first jobs to facilitate their successful integration into the workforce;
- M. whereas the ongoing stagnation of manufacturing activities represents an obstacle to the EU's greater competitiveness; whereas EU businesses are burdened by administrative obstacles that hinder their ability to invest; whereas joint efforts are required to enforce existing rules and remove barriers;
- N. whereas in 2017, according to Eurofound, 20 % of jobs in Europe were of 'poor quality' and put workers at increased risk regarding their physical or mental health; whereas the health and well-being of essential workers, such as health and care workers, food system workers, cleaners and refuse workers, transport workers, manual workers, and protective services workers was at risk during the COVID-19 pandemic; whereas 23 % of European workers believe that their safety or their health is at risk because of their work and 14 % of workers have been exposed to a high level of psychosocial risk; whereas for a well-functioning modern labour market in the context of the changing world of work, creating a healthy business environment and establishing proper work-life balance are key; whereas Eurofound's recent research on the right to disconnect shows that a larger share of workers in companies without a right to disconnect policy said they experienced health issues such as frequent headaches, stress and anxiety; whereas in companies with a right to disconnect policy, twice as many workers report very high levels of job satisfaction, and they also report a better work-life balance;
- O. whereas, as a result of demographic ageing, the number of people over 65 is rising rapidly and, at the same time, a growing number of critical jobs cannot find suitable candidates to fill open positions, leading to a decrease in the number of employees financing the social welfare model in the EU;
- P. whereas negative demographic trends might magnify regional disparities in the EU, especially in rural and outermost regions; whereas brain drain, both within the EU and outwards, worsens the overall negative impact of these trends; whereas young people are the basis on which Europe's sustainable economic and social prosperity is built and are a key priority for the EU, as affirmed by the European youth strategy and the reinforced Youth Guarantee; whereas they therefore warrant priority treatment through measures aimed at support, protection, guidance and inclusion, and at enabling them to fully benefit from the new employment opportunities created by the twin transition; whereas Eurofound research shows that income trends among the older population are influenced by effective social protection over the course of their life, while those among younger groups are mostly driven by employment;
- Q. whereas Parliament has repeatedly stressed the importance of its proper involvement in the European Semester process and dialogue in a regular and structured way in order to

increase the transparency, democratic accountability and ownership of the decisions taken, in particular by means of an economic and social dialogue; whereas the involvement of social partners and civil society organisations is also crucial to making the European Semester process more democratic;

- R. whereas Parliament's Committee on Economic and Monetary Affairs has adopted its position on new economic governance rules, replacing the regulation on multilateral budgetary surveillance, also known as the 'preventive arm of the Stability and Growth Pact'; whereas the proposal aims at developing more credible and flexible fiscal rules and strengthening the investment, democratic and social dimensions of this framework, including through the implementation of the EPSR and occupational safety and health standards;
1. Stresses that some of the aims of sustainable economic growth and development must be to ensure well-being through an inclusive socio-ecological and digital transformation of our economies to prevent social, economic, digital and environmental imbalances by fighting poverty, reducing inequalities and creating decent jobs with adequate wages and working conditions, while ensuring the effective regulation of artificial intelligence in the workplace and alignment with the SDGs and the EPSR, as well as to strengthen economic, social and territorial cohesion;
 2. Stresses the importance of innovation in the up-to-date monitoring of the labour market and of supply and demand for skills at the occupational, sectoral and regional level to assist in the identification, matching and forecasting of both opportunities and relevant occupational and transversal skills in order to prepare our economies to become more resilient to future shocks; calls on the Member States and training providers to improve cooperation with social partners, public authorities and business sectors, in order to identify existing skills needs and forecast future ones and to match these with the content and supply of training; underlines the equal importance of regular monitoring of working conditions through regular high-quality, representative EU-wide surveys, as well as of providing evidence on effective measures to forecast and address labour shortages;
 3. Stresses the need to invest significantly in workers and to offer quality and future-oriented, inclusive and subsidised education and training that takes into account individual aspirations in areas linked to skills and competences that are in demand in labour markets and future-oriented sectors, according to local and regional needs, including through the recognition of an individual right for all to high quality and inclusive lifelong learning and at no cost to workers; calls on the Member States to address inequalities and gaps in access to training, as well as the untapped potential of unemployed and underemployed groups, to ensure that all skills training is tailor-made for groups in vulnerable situations, such as those not in education, employment of training, older workers, people with disabilities and third country nationals; further stresses the need to address skills mismatches and labour market shortages; underlines the need to ensure that workers are ready for and actively involved in the green and digital transitions, that they can benefit from opportunities for new employment or career progression and that training and education programmes are aligned with the needs of those undertaking them, the planet, the economy and the society of the future;

4. Highlights the need to consider improving access to quality employment in society, especially for those groups at higher risk of poverty and social exclusion in order to better design tailored activation and inclusion policies; calls on the Commission and the Member States to explore good practices from the many initiatives across the EU in tackling long-term unemployment, including local initiatives on the creation of jobs; stresses the importance of devoting particular attention to the younger generation, which still faces difficulties entering the labour market, and to children who are at a higher risk of falling into poverty and social exclusion; insists, in that respect, on the need to better assess the impact of current policies on job creation, competitiveness, economic growth and development, with the aim of enhancing Member States' capacity to foster simultaneous upward social and economic convergence;
5. Considers that further EU action is needed to protect workers in jobs undergoing industrial transformation and ensure a decent level of income, including an EU directive on adequate minimum incomes that could contribute to the goal of substantially reducing poverty in all Member States by 2030 and ensure the integration of people absent from the labour market, with decisive measures to address the social dimension of the cost-of-living crisis, including issues around housing; calls for the strengthening of gender-sensitive policies to tackle gender inequality and to contribute to the inclusion of women in the green and digital sectors through measures going beyond training or pay, including measures to improve mental health and work–life balance; calls for the introduction of a European framework to promote upward convergence on wages, defining a path towards equal pay for work of equal value and guaranteeing a swift and ambitious transposition and implementation of the Pay Transparency Directive¹⁰ at national level together with a re-valuation of work predominantly done by women;
6. Recalls that the creation of good-quality jobs and the implementation of retention strategies are the best ways to attract a skilled workforce and calls on employers to invest in their workers, and therefore suggests that employers create such conditions if they encounter recruitment difficulties; highlights that recruitment difficulties and labour shortages particularly prevalent in sectors with challenging working conditions and poor job quality could be resolved by offering decent jobs with adequate wages and working conditions; highlights that creating high-quality, well-paid jobs that improve quality of life is therefore crucial; highlights that of the 11 groups of workers identified by Eurofound in its policy brief of 10 October 2023 as being essential to the functioning of critical services during the COVID-19 pandemic, six experienced poorer than average job quality, with health and care workers being exposed to the poorest job quality overall; underlines the need to strengthen and facilitate the recognition of skills and qualifications in the Union, including of non-EU nationals, who should be integrated into the labour market while further ensuring fair working conditions; stresses the need for Member States to rapidly and effectively ensure a decent standard of living, reduce in-work poverty and promote social cohesion; stresses the need for Member States to swiftly implement the Adequate Minimum Wages Directive¹¹;

¹⁰ Directive (EU) 2023/970 of the European Parliament and of the Council of 10 May 2023 to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms (Text with EEA relevance) (OJ L 132, 17.5.2023, p. 21).

¹¹ Directive (EU) 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union (OJ L 275, 25.10.2022, p. 33).

7. Supports the increase of EU funds dedicated to social objectives and the promotion of future-oriented investments focused on the just green and digital transitions, while achieving synergies among different relevant EU funds, with a strong social dimension, including gender equality, equal opportunities for groups at higher risk of poverty and social exclusion and equal access to social protection and essential services, such as education, healthcare, affordable housing and digital infrastructure; stresses that financial instruments at all levels must become more blended and bundled and less fragmented, and their management less bureaucratic;
8. Recalls the need for technical support, in particular for SMEs and start-ups, for training and recruitment of new skilled and qualified employees, in line with national policies and capacities, and for EU funding initiatives that, among other things, contribute to regulatory simplification and support long-term sustainable industrial growth and development, while better reflecting a focus on workers and quality jobs, ensuring environmental justice and territorial cohesion and mainstreaming gender-equality;
9. Considers that EU fiscal rules should allow for the necessary reforms, public investment in and financing of the digital and just transition towards a zero-carbon economy, as well as for the proper implementation of the principles of the EPSR and of social investments; calls for the further mainstreaming of the principles of the EPSR in economic and budgetary policies and calls on the Commission to further promote the more systematic use of distributional impact assessment in the planning and budgeting of reforms; emphasises that, while there is a need to reduce public debt within a reasonable time frame as required by Stability and Growth Pact, smaller or more indebted Member States need more flexible individual adjustment paths that allow them enough fiscal space to undertake the investments and reforms needed for socially fair green and digital transitions in a way that leaves no one behind;
10. Reminds the Member States of their commitment to undertake reforms and make investments that have a social impact and contribute to the EU's economic, social and territorial cohesion and sustainable and inclusive growth and development, as well as contribute to the implementation of the EPSR through their national recovery and resilience plans, their future medium-term fiscal-structural plans, and national action plans for the implementation of the EU Child Guarantee; stresses that the cost of living crisis makes the national-level implementation Child Guarantee, the reinforced Youth Guarantee and the EU disability rights strategy even more important; calls on the Member States to swiftly implement their national action plans on the EU Child Guarantee and to ensure the availability of affordable, accessible and high-quality social services, such as early childhood education and care, out-of-school care, education, vocational training, housing, and health and long-term care, as a necessary condition for ensuring equality, and to pay particular attention to addressing all vulnerable groups, including persons with disabilities, migrants, ethnic minorities including Roma, and homeless people;
11. Calls for the mainstreaming of the EPSR in all relevant EU funds through the introduction of social conditionality in their allocation rules, as part of the Financial Regulation¹² covering the EU general budget; calls on the Commission to explore a

¹² Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU)

possible revision of the Public Procurement Directive to further strengthen the social clause and to align it with the Union's upcoming rules on due diligence, while ensuring that benefiting companies and sub-contractors support collective bargaining and respect workers' rights; urges the Commission to promote collective bargaining, democracy at work, and social dialogue through the European Semester, and specifically in the country-specific recommendations, in order to ensure decent wages through collective bargaining;

12. Takes note of the Commission's proposals for new regulations within the revision of the economic governance framework of April 2023 to strengthen debt sustainability and its reduction and enhance sustainable and inclusive economic growth through investment and reforms, including fiscal adjustment paths that allow for social investment; calls on the Commission to assess which expenditures, reforms and investments are necessary to achieve the long-term socioeconomic objectives required to comply with common EU priorities defined in the revised economic governance framework, as well as milestones in the national recovery and resilience plans, and required to implement country-specific recommendations as well as future medium-term fiscal structural plans; calls on the Commission to propose a new system for excessive deficit calculations based on this assessment in order to increase fairness during the green and digital transitions, social resilience and the implementation of the EPSR, while ensuring the sustainability of public finances in the Member States;
13. Calls on the Commission to develop an economic governance architecture in the EU that equally reflects economic, social and environmental policies and objectives and is based on transparency, accountability, solidarity, integration, social justice, fair distribution of wealth, convergence, gender equality, high-quality public and social services, including quality public education and training systems, especially vocational training accessible to all, quality employment and sustainable development; highlights that regional and local dimensions are key factors in this new economic governance architecture and reiterates the role of regional innovation partnerships in ensuring territorial cohesion;
14. Welcomes the fact that, in order to promote upward social convergence, the multilateral surveillance procedure set out in Article 148(4) TFEU has been, for the first time, complemented by an early warning system within the European Semester through a social convergence framework that could encourage the correction of risks to social convergence identified through the Social Scoreboard headline indicators and through social convergence reports published by the Commission; stresses the importance of integrating the Social Convergence Framework in the European Semester as from the 2025 cycle onwards, avoiding short-termism; highlights the importance of including social divergence risks in the country-specific recommendations, especially those risks that concern people's early development and that can have long-lasting consequences for individuals, such as equal access to quality education and care, as well as healthcare, and highlights the importance of taking them into account when defining fiscal adjustment paths and medium-term fiscal-structural plans; considers it imperative that Member States maintain flexibility in their budgetary and policy decisions in order to

No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

accommodate the diverse socio-economic conditions and unique challenges faced by each Member State while ensuring that decisions take into account the specificities at national, regional or local level;

15. Calls for a revised and more democratic European Semester process, with an enhanced role for Parliament in designing macroeconomic and social policy priorities and monitoring their implementation, in particular among low-income and rural populations; highlights the importance for Parliament being duly involved in a regular and structured way in the European Semester in order to increase transparency, democratic accountability, including regarding national medium-term fiscal-structural plans, and especially concerning the evaluation of the country-specific recommendations and social convergence risks, and the progress towards the implementation of the principles of the EPSR; calls on the Commission to set quality standards for stakeholder consultation in the regulation, explicitly including civil society and social economy actors; calls for increased cooperation between Parliament's lead committees and highlights the possibility of creating a special working group in Parliament that should ensure dialogue with representatives of Member States, regional and local authorities as well as stakeholders in order to increase the transparency of and accountability for decisions on macroeconomic and social policy priorities; calls on the Commission to advance the EU social taxonomy;
16. Reconfirms the role of social partners in strengthening social dialogue and considers that the revision of the European Semester process should promote transparency and further structured and meaningful dialogue with the relevant stakeholders, in particular relevant social partners and civil society organisations, on the main policy issues where appropriate, in accordance with the provisions of the TFEU and national legal and political arrangements; highlights the need to closely involve trade unions and workers' representatives in order to ensure efficient and fair transitions and calls on the Member States to remove any national legislation that hampers collective bargaining;
17. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

This year's report on the European Semester for economic policy coordination: the employment and social aspects was written in the context of the ongoing review of the EU's economic governance mechanism. The EU economic governance tools are integrated in the European Semester. This results mainly in EU-level multilateral and bilateral surveillance of Member States' fiscal policies under the Stability and Growth Pact, economic and structural policies under the Macroeconomic Imbalances Procedure (MIP), and employment policies under the employment guidelines.

The report explains that in the context of slow economic growth and relatively stable labour markets with an uncertain economic outlook, the cost of living crisis is affecting all, but particularly the vulnerable groups. Hence inequalities and at risk of poverty are remaining major issues in the future. The ongoing geopolitical conflicts, such as Russia's protracted war of aggression against Ukraine and the wider regional consequences of the Israeli Palestinian conflict are exacerbating these negative trends. In addition, the report recognises that the twin transition (green and digital) can have significant impact on the environment, the economy and the people by expanding some economic activities and contribute to sustainable growth and development but equally, by leading to more disparities between regions and its people. Finally, demographic trends, i.e. aging and brain drain, magnify these disparities as well as contribute to skills and labour shortages and in turn, lead to a decrease in the number of employees financing the social welfare model in the EU.

In this context, the report calls for the modernisation of several aspects of the labour market so as to address skills mismatches and labour market shortages as well as the great potential and risks of the twin transition. More specifically, it calls for:

- innovation in the up-to-date monitoring of the labour market and of supply and demand for skills, including through the recognition of an individual right for all to high quality and inclusive lifelong learning and at no cost for workers and through recognising the untapped potential of unemployed and underemployed people;
- the creation of good-quality jobs and the implementation of retention strategies as these are the best ways to attract a skilled workforce;
- improving access to quality employment in society, especially for those groups at higher risk of poverty and social exclusion and further EU action to protect workers in jobs under industrial transformation and ensure a decent level of income, including an EU directive on adequate minimum income;
- the need for technical support in particular for SMEs and start-ups for training and recruitment of new skilled and qualified employees in line with national policies and capacities.

To support this modernisation and transformation the report points to the need of increased EU funding dedicated to social objectives and the promotion of future-oriented investments focused on the just green and digital transition, while achieving synergies among different relevant EU funds, with a strong social dimension. In this context, it also highlights that financial instruments at all levels must become less fragmented and their management less bureaucratic and more blended and bundled.

In addition, the report explains how well designed EU fiscal rules can allow for the necessary reforms as well as public investment and financing of the digital and just transition towards a zero-carbon economy, as well as for the proper implementation of the principles of the European Pillar of Social Rights and of social investments. For that purpose, the report calls for:

- further mainstreaming of the principles of the European Pillar of Social Rights in economic budgetary policies, including via the introduction of social conditionality in the allocation rules of EU funds, as part of the Financial Regulation covering the EU general budget;
- the Commission to further promote a more systematic use of distributional impact assessment in the planning and budgeting of reforms;
- the possibility for designing more flexible individual adjustment paths for Member States, particularly the more indebted ones, that in turn allows them enough fiscal space to undertake the investments and reforms needed for socially fair green and digital transitions.

Finally, the report emphasises how some new and revised processes in the European Semester can contribute to a more democratic, accountable and transparent mechanism. It welcomes in this context the Social Convergence Framework, an early warning system, used for the first time in the 2024 multilateral surveillance procedure, that could encourage the correction of risks to social convergence identified through the Social Scoreboard headline indicators and through social convergence reports published by the Commission. The report stresses the need to fully integrate the framework into the Semester process from the 2025 cycle onwards, including by using its results for the design of country specific recommendations. The report further highlights the importance for the European Parliament to be duly involved in a regular and structured way in the European Semester. It calls on an increased cooperation between the lead committees of the European Parliament and highlights the possibility to create a special working group in the European Parliament that should ensure dialogue with representatives of Member States, regional and local authorities as well as stakeholders who should be also essential actors in the European Semester process.

**ANNEX: ENTITIES OR PERSONS
FROM WHOM THE RAPPOREUR HAS RECEIVED INPUT**

The rapporteur declares under his exclusive responsibility that he did not receive input from any entity or person to be mentioned in this Annex pursuant to Article 8 of Annex I to the Rules of Procedure.

INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

Date adopted	14.2.2024
Result of final vote	+: 32 -: 5 0: 3
Members present for the final vote	João Albuquerque, Atidzhe Alieva-Veli, Marc Angel, Gabriele Bischoff, Milan Brglez, Sylvie Brunet, Jordi Cañas, Ilan De Basso, Margarita de la Pisa Carrión, Klára Dobrev, Jarosław Duda, Estrella Durá Ferrandis, Cindy Franssen, Chiara Gemma, Elisabetta Gualmini, Alicia Homs Ginel, Agnes Jongerius, Stelios Kypouropoulos, Katrin Langensiepen, Miriam Lexmann, Jozef Mihál, Max Orville, Sandra Pereira, Dragoş Pîslaru, Dennis Radtke, Elżbieta Rafalska, Antonio Maria Rinaldi, Daniela Rondinelli, Pirkko Ruohonen-Lerner, Mounir Satouri, Monica Semedo, Marianne Vind, Maria Walsh
Substitutes present for the final vote	Catherine Amalric, Rosa D'Amato, Paola Ghidoni, Wolfram Pirchner, Kim Van Sparrentak
Substitutes under Rule 209(7) present for the final vote	Vilija Blinkevičiūtė, France Jamet

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

32	+
PPE	Jarosław Duda, Cindy Franssen, Stelios Kypourouopoulos, Miriam Lexmann, Wolfram Pirchner, Dennis Radtke, Maria Walsh
Renew	Atidzhe Alieva-Veli, Catherine Amalric, Sylvie Brunet, Jordi Cañas, Jozef Mihál, Max Orville, Dragoş Pîslaru, Monica Semedo
S&D	João Albuquerque, Marc Angel, Gabriele Bischoff, Vilija Blinkevičiūtė, Milan Brglez, Ilan De Basso, Klára Dobrev, Estrella Durá Ferrandis, Elisabetta Gualmini, Alicia Homs Ginell, Agnes Jongerius, Daniela Rondinelli, Marianne Vind
Verts/ALE	Rosa D'Amato, Katrin Langensiepen, Mounir Satouri, Kim Van Sparrentak

5	-
ECR	Margarita de la Pisa Carrión, Elzbieta Rafalska, Pirkko Ruohonen-Lerner
ID	France Jamet
The Left	Sandra Pereira

3	0
ECR	Chiara Gemma
ID	Paola Ghidoni, Antonio Maria Rinaldi

Key to symbols:

+ : in favour

- : against

0 : abstention