

The 2018 Annual Growth Survey

I. Introduction

The European Semester is the main policy tool for guidance and implementation of European policies at national Member State level. It is a cycle of economic and fiscal policy coordination to which has been added social policy recommendations. Both economic and policy recommendations are linked to the objectives of the main current policy framework of the European Union, Europe 2020. As such, the European Semester is the main tool to implement the Europe 2020 targets (such as employment rate at 75%, reduction of poverty with 25%, school drop-out rates below 10%). These targets refer to fostering economic, sustainable and inclusive growth.

The cycle of the European Semester kicks off every year with the publication of the Annual Growth Survey (AGS) by the European Commission. The AGS sets out the priorities for reform that the Commission believes are needed to promote economic growth and stability across Europe. In mid-November 2017, the European Commission launched the publication of the Annual Growth Survey.

Earlier in the year the Commission published the Country Reports analysing the economic situation and thereform agendas of each Member State and governments published their National Reform Programmes (NRPs) outlining the reforms and initiatives they plan to take and have taken. Later, the European Commission and the European Council analysed the NRPs and replied to Member States with Country-Specific Recommendations (CSRs)¹.

Country Specific Recommendations are a set of recommendations made to each Member State (with the exception of Cyprus and Greece which at present are subject to a separate “economic adjustment programme”). The recommendations lay out the measures the European Commission believes national governments should take within a period of 12-18 months in order to meet the goals set within the Europe 2020 Strategy². This is the subject of a separate analytical note.

II. Annual Growth Survey 2018

The Annual Growth Survey (AGS) highlights the most pressing social and economic priorities for the European Union and Member States to focus on, according to the European Commission. As explained in the State of the Union Speech, annually given by the President of the European Commission, the 2018 AGS stresses the need for the EU to focus on economic recovery, investment in youth and jobseekers together with investing in SMEs. Creation of jobs, investment and growth for the European Union remains as the main priority for the current European Commission and the priorities to achieve these objectives and recommendations on how to do so, are singled out within the Annual Growth Survey.

¹Country Reports, National Reform Programmes and Country Specific Recommendations are available on the European Commission website at http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm

²More on Europe 2020 Strategy at http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/index_en.htm



Despite continuing global economic uncertainty, the AGS remarks that a positive advancement has taken place in the EU economic development. The Commission sees Member States growing, job creation rising and recovery of investment. Moreover, the AGS states that, if this trend was to continue in the upcoming years, the Employment target established by the Europe 2020 Strategy could be achieved. However, unemployment and especially, long term unemployment, remains very high in many Member States, where investment has not yet recovered to the levels previous to the economic crisis. Important imbalances between Member States and within the euro zone are still to be worked upon as the two speeds Europe continue, perpetuating existing inequalities between citizens.

- *Economic and social recovery*

The European Union has experienced a moderate economic recovery in the past years, marked by a higher GDP. Structural reforms taking place in Member States led to job creation, accompanied by investment growth and decrease of public deficit. In the last year, Brexit is counter balancing these positive economic developments as uncertainty reflects in the market. It sums up other less positive trends such as ageing of the European working population, high levels of debt remaining in some Member States and high inequalities and risk of poverty and social exclusion. Unemployment persists in many areas of the Union and creating quality employment remains a challenge.

The 2018 AGS stresses implementation of reforms stated in Country Specific Recommendations remains disappointing. The European Commission continues to prioritise investment in human capital by launching a new Skills Agenda, boosting the roll-out of the Youth Guarantee and benchmarking performances in education and training³.

EU funds' impact has increased due to the extension of EFSI, the European Fund for Strategic Investment, which will now double its amount by 2022 and see an extended scope. EFSI contributes to projects on youth unemployment, job creation and growth in local communities. Geographical coverage will improve as the Commission claims to simplify possibilities for EFSI to be combined with European Structural and Investment Funds (ESIF).

- *Human Capital and Social Infrastructure*

The European Commission has highlighted the importance of investing in human capital and stressed the importance of the **development of long-term care services together with more affordable and flexible care programmes, for example addressed to children or older persons**. Although specific tools or programmes to develop such services are not listed, it is decreasing family care obligations allowing working age adults to further contribute to the labour force.

The AGS stresses employability shall be promoted through **investing in education and life-long learning decreasing gaps between differently skilled workers**. Furthermore, the importance of investment in knowledge, innovation, education and ICT as drivers of growth is also high on the agenda of this Commission and underlined on the AGS.

The 2018 AGS has a strong focus on creating jobs and enhancing skills, key priorities of the current European Commission.

The AGS urges Members States to **promote greater participation in labour market, better quality jobs and effective training and upskilling together with comprehensive lifelong learning strategies and modern social protection systems**, especially those most affected for the economic crisis.

³For more information, please see EPR's paper on skills www.epr.eu/our-expertise/vocational-education-and-training/



Human Capital

The AGS reflects the Commission's concern about working-age population shrinking in the EU. Low birth rates, ageing, emigration and health-related exits from the labour market, are between the main reasons together with precariousness. **Equality stands out as the key for social fairness**, closing gaps such as the gender gap, improving work life balance, **working towards inclusion of disadvantaged groups** and addressing discrimination of persons with a migrant background.

Access to quality services remains a priority to foster social inclusion and help labour participation. Adequate services such as childcare, housing, healthcare and long-term care, education and training together with working towards effective wage systems.

Skills programmes occupy a high position in the agenda of the current Commission and as such, on the 2018 AGS priorities. The Commission recommends Member States to focus on:

- labour market relevance of skills and indicate **a future shortage of people with vocational and training qualifications**. For too many young people, initial vocational education and training remains a second choice and only a minority of workers are offered opportunities for further skills development.
 - Modernising vocational education and training, including by **promoting flexible learning pathways**, will help people to develop the appropriate transferable skills throughout their lives.
 - Close **partnerships with the business, higher education and research sectors**. The active involvement of social partners can lead to the development of apprenticeships in new areas covering various skills levels, which can be expected to address skills mismatches.
 - Modernising education and training is necessary to **equip people with better skills, ranging from basic skills in numeracy and literacy to entrepreneurial and digital skills**.
- *Supporting Adult Learning*

The New Skills Agenda for Europe puts a particular emphasis on supporting adults who have not reached upper secondary with the opportunity of assessing their skills level, providing them a new training opportunity and validating the skills acquired.

Longer and more fulfilling working lives also depend on adequate skills, lifelong learning opportunities and enabling working environments, including flexible task allocations and working time schedules.

- *Health*

Health policies addressed at contributing to active inclusion with rehabilitation policies focused on prevention but also curation are mentioned on the AGS. The Commission claims reforms are needed by Member States to provide universal access to cost effective public health and healthcare services.

Driven by population ageing and technological developments, public expenditure on health care and long-term care is expected to increase significantly in the coming decades. To safeguard sustainable health systems and support their positive contribution to population health and economic prosperity, further policy action will be needed enabling the individual to stay healthy for longer, while making health systems more effective, accessible and resilient.

- *People with Disabilities*

Despite the action taken at EU level, lack of equal opportunities in the labour market remains the most important challenge for persons with disabilities. Efforts should be enhanced to ensure focus on abilities instead of disabilities.



- *Public Procurement*

Recommendations are given for Member States to increase their efforts to remove barriers to investment especially in areas identified and spelled out in the context of the European Semester. Countries hit by the crisis should increase their efforts particularly when it comes to insolvency, **public procurement**, the efficiency and transparency of public administration or sector-specific regulations, as well as the functioning of labour and product markets.

As the Commission states, public procurement is important for competitiveness as it can drive structural changes. Every year, public authorities in the EU spend around 14% of GDP on public procurement, which amounts to more than EUR 1.9 trillion spent annually in the EU18. This is especially true in sectors such as energy, transport, defence, IT or the provision of health services, where the public sector is a key source of demand. Modern public procurement systems require public procurers who understand the economic implications of their work and whose integrity and transparency is without doubt. Institutions must be available to coordinate procurement between bodies at various levels to attain economies of scale, manage complaints by companies, and audit public contracts. Processes must be in place that prevent corruption and collusion between suppliers and address firmly instances of unfair procurement. In addition, in some Member States where state-owned enterprises exert tangible impact on the economy, it is important to ensure appropriate governance structures to contribute best to economic development.

EPR has gathered experiences of members in procurement for quality services in the social and health sectors, which show the need to build contracting authorities' willingness and capacity to contract for quality and the importance of sharing good practices in socially responsible public procurement.

The European Platform for Rehabilitation (EPR) is the Network of providers of rehabilitation services committed to excellence and innovation. EPR and its members contribute to a society where every person with a disability and persons in other vulnerable situations have access to the highest quality services that create equal opportunities for all and independent participation in society. More information on www.epr.eu

