



EUROPEAN PARLIAMENT

European Parliamentary Week on the European Semester for Economic Policy Coordination

European Parliament, Brussels

28 - 30 January 2013

REPORT ON EUROPEAN PARLIAMENTARY WEEK

- With about 100 participants from national parliaments, including three Presidents of national Parliaments and 30 Committee Chairs, and a high participation rate of MEPs (around half of the Members of each of the three main Committees participated in the sessions), the first edition of the **European Parliamentary Week is largely considered a success**. Content-wise, it allowed for fruitful and constructive discussions on the different topic identified in the programme, in a spirit of cooperation between national parliaments and the European Parliament.
- **The opening plenary session** was introduced by Othmar Karas, Vice President of the European Parliament, who referred to the European Parliamentary Week as the "joint answer" to the reference in Article 13 to cooperation between the European Parliament and National Parliaments. It allowed participants to exchange views with Olli Rehn, Vice-President of the Commission, in charge of Economic and Monetary Affairs and the euro, and László Andor, Commissioner for Employment, Social Affairs and Inclusion; many stressed on the need to make the Semester process more democratic, while insisting at the same time on better scrutiny of the procedures within this framework, transparency and subsidiarity.
- **BUDG's ICM** focussed on the role of the EU budget in supporting Member States in the achievement of their economic objectives as agreed within the European Semester, in particular with regard to innovation and R&D. Furthermore the negotiations on the MMF 2014-2020 played an important role during the debate. The majority of speakers were in favour of an ambitious EU budget to help the EU and Member States to exit the crisis. The EU budget could also allow spending less for better results, thus providing a genuine European added value.
- **ECON's ICM** was divided into two sessions, the first one on "Who gets to set the path for Europe's recovery?" and the other one on "*Is the Semester hard-wired for austerity or for growth?*".
 - **During the first session**, participants agreed that the Semester blurs the responsibilities as regards the design of economic policy objectives; limits national sovereignty; and lacks democratic accountability. Participants considered that the EP and NPs must seek ways to increase their involvement in the established processes, with mutual respect for the respective roles of each other.
 - **The second session** was introduced by two external speakers who produced different views on the topic. Both speakers agreed that, despite encouraging signs, the crisis was still going on. Mr. Sinn considered that growth can only come through austerity, arguing that the euro area was suffering from an internal competitiveness problem rather than a temporary lack of demand. Mr. Timbeau, advocated that fiscal multipliers were high and stressed that austerity was ill-designed and caused recession instead of curing it. Participants, depending on political affiliation but also on country of origin, supported one approach over the other.
- **EMPL's ICM** was divided into two sessions, the first one on youth employment and the second one on the social impact of economic adjustment programmes in Member States experiencing financial difficulties. Both sessions were organised as exchanges of views between representatives of national Parliaments and EP rapporteurs, and were then followed by a discussion between all Members.
 - **In the first session**, the discussion focused on concrete measures to fight youth unemployment and more specifically the youth guarantee schemes put into place in several Member States. Members debated the implementation of the Finnish scheme and the possibility to set up a similar tool in other Member States. The Commission proposal for an EÜ Youth Guarantee was also discussed at lengths.
 - **The second session** highlighted the severe consequences of austerity measures in Latvia, including the fact that 10% of the population left the country to look for a job elsewhere. Members underlined the need for added flexibility in the application of economic adjustment programmes and stressed the importance of structural funds in their countries. Members called for 25% of cohesion policy to be devoted to the ESF.
- **The concluding plenary session** was introduced by the three Committee Chairs, Sharon Bowles, Alain Lamassoure and Pervenche Berès. José Manuel Durão Barroso (President of the European Commission), Herman Van Rompuy (President of the European Council), Seán Barrett (Speaker of the Irish Dáil) and Martin Schulz (President of the European Parliament) addressed the session, underlining the progress made in economic governance and the need for stronger democratic scrutiny and cooperation between Parliaments.

OPENING PLENARY SESSION
Tuesday 29 January 2013, 9.00 - 11.00

The Opening Plenary Session was introduced with remarks by Vice-President of the European Parliament Othmar Karas, followed by addresses by Olli Rehn, Vice-President of the Commission, in charge of Economic and Monetary Affairs and the euro, as well as by László Andor, Commissioner for Employment, Social Affairs and Inclusion. This was followed by an exchange of views between the Members of the European and national Parliaments and the two Commissioners.

Othmar Karas commended the high number of Members of national Parliaments attending the event. He stated that the European Parliamentary Week might be the "joint answer" to the reference in Article 13 of the "TSCG" (Treaty on Stability, Coordination and Governance in the Economic and Monetary Union) to cooperation between the European Parliament and national Parliaments. Mr. Karas pointed out that the key objective of the meeting is to put into practice the democratic dimension of the European Semester and also to enhance its social dimension. He briefly outlined the steps of the European Semester process, highlighting that the aim of the Semester is to guide Member States on economic matters and to align economic, social and fiscal policies in the Member States, as well as tax policy and structural reforms. He also referred to the democratic deficit in European decision-making, and stressed the need for the European and national Parliaments to find the right way to accompany the decision-making process.

Olli Rehn began his address by calling the European Parliamentary Week a clear and visible step towards the emergence of a more European political space. He also called it a timely step, both in terms of the current stage of the European Semester and with regard to the discussion of a deeper Economic and Monetary Union. Before outlining the Commission's policy priorities for the year he pointed out that the outlook is brighter today than a year ago, but that grave challenges such as high unemployment and sluggish growth still remain, leaving no room for complacency. He highlighted the three parts to the Commission's economic policy response; firstly, maintaining the pace of economic reform to support the rebalancing of the European economy; secondly, reforming and restoring the competitiveness of the European industry; and thirdly, pursuing consistent fiscal consolidation, differentiated across countries according to their fiscal space and growth outlook. He referred to the Commission's blueprint and the need to implement deeper integration in the euro area.

László Andor pointed out that the current crisis is not only financial and economic, but also a crisis of confidence in our future and our values; that the European social model is in danger of not delivering social rights and social cohesion when they are needed the most. He pointed to the bleak employment outlook for the EU, a dramatically worsening economic and social situation and social unrest spreading. Commissioner Andor identified the following employment and social policy priorities. First, fiscal consolidation should be growth-friendly, and the role of the employment and social policies in pursuing growth-friendly fiscal and economic consolidation is key. Second, the job creation potential of the economy, especially in the green economy, health and care sector and the ICT sector should be supported, as well as the resilience and reform of the labour market. Third, tackling the increasing long-term unemployment in Europe, as well as addressing youth unemployment is highly important. He mentioned in this context the Youth Guarantee scheme that will be discussed at a forthcoming Council meeting. Fourth, it is necessary to preserve and reinforce essential safety nets, focusing on the efficiency of the social protection systems.

Following the introduction by Karas and the Commissioners the floor was opened for comments and questions from the **MEPs and Members of national Parliaments**. Some Parliamentarians highlighted the need for policies and Country Specific Recommendations to better take cross-country differences into account, and another referred to criticism regarding red tape and

regulation "strangling" the EU. Many drew attention to the need to make the Semester process more democratic, highlighting scrutiny, transparency and subsidiarity. One MEP pointed out that the Commission should make space for real discussion before the adoption of priorities. MEPs also called into question the speed of the fiscal consolidation, and referred to the debate on the fiscal multiplier and the worsening social situation in Europe.

INTERPARLIMENTARY COMMITTEE MEETING
ORGANISED BY THE EP COMMITTEE ON BUDGETS (BUDG)
Tuesday 29 January 2013, 11.00-13.00

Chairman **Alain Lamassoure** opened the session, underlining the strong interdependence between the EU Member States: Even though Ireland accounted for only 1 % of the EU population or Greece for only 2 % of EU GDP, huge efforts were needed on EU level to overcome the crisis. He pointed out that the current economic crisis has had a major impact on the capacity of EU governments to finance investment and innovation projects. The lack of national financing could threaten the long term growth in the EU, which was a strong argument for an ambitious EU budget. The EU budget could allow spending less for better results, thus providing a genuine European added value.

Janusz Lewandowski, European Commissioner for financial programming and budget, called for a new, more balanced mix of EU expenditure to solve the economic crisis. He underlined that the EU budget was mainly an investment budget with 94 % being spent in Member States and on foreign policy. He furthermore called for more use of innovative financial instruments which can help increasing the leverage of EU spending, especially, but not only, in research and development. He warned of a smaller budget for the next multi-annual financial framework (MFF) as this would make it more difficult for the EU to end the crisis.

Ciarán Lynch, Chairman of the Joint Committee on Finance, Public Expenditure and Reform of the Irish Parliament (Oireachtas), explained that Ireland was an example of good use of EU funds as investment in human capital and knowledge based sector, accompanied by the development of infrastructure had produced very good results. He therefore supported maintaining the current level of the EU budget, but made clear that given global competition, more needed to be done with regard to innovation, research and development. EU policy in these areas should be embedded in national policies to produce good results. He also underlined that more efforts were needed to fight youth unemployment.

Anne Jensen, EP rapporteur for the budget 2014, pointed out that the possibility of having a new EU budget at the level of 2008 was unacceptable. She underlined that national budgets could be reduced in policy areas that are being dealt with at European level, e.g. by the External Action Service. She also called for more flexibility of the EU budget to be better able to react to changing circumstances during a 7 year period.

Members of the European and national Parliaments from across all political families and many Member States took the floor during the debate. With regard to the structure of the EU budget diverging opinions were expressed: Some Members called for a complete reshuffling of priorities in EU spending, focussing less on agriculture and cohesion and more on innovation and more sustainable growth. Others were calling for more support for the countries facing difficulties at the moment, making a strong point for cohesion policy. Also with regard to the overall size of the EU budget positions varied between reducing, freezing and increasing the next MFF. The introduction of a financial transaction tax was supported by various speakers, though there were different opinions as to where its revenues should go to - national or EU budget.

In his reply, **Commissioner Lewandowski** underlined that in order to prove its legitimacy, the EU needed to show utility, so that people are aware of the fact that the EU is capable of tackling

the problems. With regard to the questions on modernising the EU budget, he argued that was almost impossible to modernise a budget when at the same time cutting it.

In her concluding remarks, **Catherine Trautmann**, the rapporteur of the BUDG committee on the European Semester, called for a strong European budget as it was needed to achieve a European added value. She called for a fairer system of national contributions to the EU budget and suggested not to take those contributions into account when calculating the public deficit of a Member State. She furthermore underlined the need to tackle the ongoing problems of outstanding commitments which harm the EU's credibility.

INTERPARLIMENTARY COMMITTEE MEETING
ORGANISED BY THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS (ECON)
Tuesday 29 January 2013, 15.00-18.30

SESSION 1: WHO GETS TO SET THE PATH FOR EUROPE'S RECOVERY? THE SEMESTER, DEMOCRACY AND SUBSIDIARITY

The meeting was opened by the Chairwoman of the Committee on Economic and Monetary Affairs Sharon Bowles, who then handed over to the three panellists: Guntram Wolff, Deputy Director of the Brussels-based think-tank Bruegel; Stefan Collignon, Professor of Political Economy at Sant' Anna School of Advanced Studies; and Dominic Hannigan, Chairman of the Joint Committee on European Affairs of the Irish Parliament (Oireachtas). After this Members of the European and national Parliaments had the chance to pose questions to the panellists.

Sharon Bowles opened the session by welcoming the input of national Parliaments in the dialogue as an important step towards democratising the Semester process, pointing out that many Member States see the European level intervening in almost all policy areas, and that detailed Country-Specific Recommendations and obligations are close to being imposed on programme countries. She also pointed to the increasing recognition of the democratic deficit in the EU, with many important agreements made behind closed doors, and the difficulty of identifying who decides on the policy objectives and who carries the responsibility for them.

Guntram Wolff pointed out that especially eurozone members are "sub-sovereign" states, because of limitations to their sovereignty in terms of monetary policy in particular, but also to some extent to fiscal policy and other policy areas. Wolff argued the current solutions to the economic situation; the European Semester, the TSCG and ESM, derive some legitimacy from being laid down in the Treaties, as well as from the European Parliament's increasing role in the Semester. He highlighted the importance of the Economic Dialogue, but mentioned that it is a way of holding decision-makers accountable rather than affecting the outcome of the decision-making. Wolff argued the issue of legitimacy is crucial for effectiveness of the Semester; national Parliaments will not implement the required measures if they are not fully convinced of the actions. To conclude he suggested going beyond the current Treaties and moving towards a more federal option with shared legitimacy at the European level.

Stefan Collignon argued that the problem in European decision making is that there is no well-defined decision maker, introducing the question of where legitimacy of the decisions taken at the European level derives from. Collignon argued that a multi-tier governance system works as long as there is consensus about the policies chosen; decisions benefiting everyone obtain legitimacy from social consensus about the policies. If not everyone benefits from the policies, legitimacy is derived from the fact that in a democracy, a change in the public opinion can change the policies; for example through national elections, but that this is lacking in Europe. Collignon argued that people will ultimately reject the whole system if there is no way to change the decision maker. In order to increase legitimacy he cautioned against merely moving the

decision-making in Europe to the national level since decisions affecting the whole Union should be taken at the EU level. Instead, he argued for redefining which policies should be decided at the national and which at the European level based on whom they affect, so that externalities can be properly taken into account.

Dominic Hannigan started his discourse by commending the European Parliament for the European Parliamentary Week initiative, and argued that such discussions taking place is already a step in the right direction. He then stressed that national Parliaments have not played a sufficient role in the new economic governance framework, and highlighted that during the referendum debate on the ratification of the TSCG in Ireland, it transpired that not many Parliamentarians and certainly not most of the citizens had fully understood the recent developments in the Economic governance of the Union. However this debate certainly helped to raise awareness of the significance of these changes. With regards to his own country Ireland, one of the programme countries, he stressed that it is only possible to successfully exit the situation with the support of the voters and the politicians. Finally, he encouraged countries to engage with each other in order to learn how to better deal with the new governance structure.

Members of the European and national Parliaments commented on the distance between the European institutions and the citizens, and stressed the need to reduce this division. Many referred to the lack of a European political arena, and proposed solutions for dealing with this, for example by working on moving European politics to the national political arena. It was pointed out that in the new governance framework it is important that national Parliaments make the most of the situation, Mario Draghi being invited to address the German Bundestag was used as an example how this can be done. On comments from the panellists of Europe moving towards a more federal option, Members pointed out that this needs to be done through a step-by-step approach, so as to not move Europe away from its citizens.

EP rapporteur **Elisa Ferreira** in her concluding remarks expressed that the discussion had been very useful, then mentioned that Europe is going through a difficult phase and that it is important to keep an eye on the future. She also reiterated that Europe is lagging behind externally, making common interface policies important, as well as mentioning the problems that have risen with the common currency, including with regards to internal imbalances, and the need to move beyond the common currency. She then briefly summarised the discussion about sub-sovereignty and legitimacy, and endorsed the idea of moving towards a European Republic, as well as increasing the EU budget to 2-3% of EU GDP, as suggested by the panellists. Finally, she stressed the need for a more balanced way of working with the national Parliaments, identifying what is decided on a common and on a national level.

SESSION 2: IS THE SEMESTER HARD-WIRED FOR AUSTERITY OR FOR GROWTH?

Hans-Werner Sinn, President of the Ifo Institute for Economic Research, introduced the session by stating that asking the question of austerity vs. growth is asking the wrong question, since growth can only come from austerity. Following this strong opening remark he went on to comment on the competitiveness loss which occurred in a number of euro area member states after the introduction of the common currency, enabled by the downward harmonisation of borrowing costs of governments and an influx of credit from the north to the south. Sinn admitted that pushing countries through austerity to regain competitiveness is like trying to push back the arms of an old clock, and that there is a risk of the arms, i.e. society, breaking. He did stress however, that despite this risk it is necessary to do so. He pointed out that the eurozone is trapped in a "situation of no easy escape"; since the necessary realignment could break "the arms of the clock" in certain member states, but he argued that the euro will not survive without this realignment.

Xavier Timbeau, Director of the analysis and forecasting department of the Observatoire Français des Conjonctures Économiques (OFCE), presented a very different point of view. He pointed to the "light at the end of the tunnel" observers are seeing in the euro area, arguing that this enthusiasm is premature; that the lights seen may be the headlights of a freight train. He pointed to the fact that the eurozone has experienced five consecutive years of negative growth, to the record-high unemployment levels, the long-term consequences of austerity measures in terms of cutting spending on R&D, education and infrastructure, and to the negative growth forecasts for the year ahead. Timbeau warned about the harmful effects of austerity, which due to the high fiscal multipliers can lead to a recessionary spiral. He used Spain as an example, reducing its budget deficit by only 1.3% despite large cuts in spending, stating that the only effect of the measures is an increase in unemployment. He argued that in order to avoid the risk of a break-down of society, the focus should be on a medium- in stead of short-term reduction of deficits and debt.

Following the two panellists introduction, the floor was given to **MEPs and Members of the national Parliaments**. Many speakers expressed a more balanced view than the panellists, arguing for the necessity of both austerity and growth in order to solve the crisis, rather than choosing one or the other. One MEP pointed out that the speakers' differing views reflect the division that exists in the European Parliament on the subject. Many highlighted the importance of European efforts to deal with the situation, such as supporting countries undergoing adjustment, the importance of political and economic policy coordination as opposed to arguing over who is to blame, the possibility of a system of budgetary transfers within the union and the possibility of using the proceeds from the financial transaction tax for an own resources fund.

Speakers who took the floor also expressed concerns about the fact that businesses within the eurozone face different borrowing costs depending on which country they operate in, as well as the worrying effects of the crisis and austerity measures leading to a "lost generation" and "brain drain" in certain countries. Mr Sinn was asked to elaborate on his earlier remark that core and northern euro members should take part in the rebalancing effort, however, not by artificially increasing wages. He explained that pushing up wages would only lead to an increase in unemployment, and that it is therefore better to stimulate the demand for labour and thereby increase wages. On a question about his opinion on what the multipliers are at the moment, Mr Timbeau replied that it varies between countries; 1.3-1.6 in the euro area but higher for Greece, Portugal and Spain; 1.5-2. He pointed out that his estimates are higher than the Commission's, highlighting that austerity leads to recession and why Spain is gaining in competitiveness but still is in recession.

INTERPARLIAMENTARY COMMITTEE MEETING
ORGANISED BY THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS (EMPL)
Tuesday 29 January 2013, 15.00-18.30

SESSION 1: YOUTH EMPLOYMENT

The session was opened by the Chairwoman of the Committee on Employment and Social Affairs Pervenche Berès who invited the participants to discuss the ways Member States are fighting youth unemployment and whether they have set up specific measures, such as a youth guarantee or other schemes, to foster employment and bridge the gap between schools and the labour market. The session was organised as an exchange of views between 3 representatives of national Parliaments and 2 EP rapporteurs, and was then followed by a discussion between all Members. The panel was composed of two Chairmen of Employment Committees in national Parliaments, Dimitris Kremastinos (Greek Parliament/Vouli ton Ellinon) and José Eugenio Azpíroz Villar (Spanish Congress/Congreso de los Diputados) who discussed measures put in place by their respective governments to fight youth unemployment; of Tarja Filatov,

Chairwoman of the Employment Committee in the Finnish Parliament (Eduskunta) who spoke about the Youth Guarantee set-up in Finland; and finally of two EP rapporteurs, Joanna Skrzydlewska and Ole Christensen.

Dimitris Krematinos, Chairman of the Committee on Social Affairs of the Greek Parliament (Vouli ton Ellinon) noted the major drawbacks the world crisis had in many areas, and particularly unemployment, and youth unemployment. Unemployment figures are quite dramatic, in Greece the unemployment rate has reached 26%, and more than 50% of young people are unemployed; Mr Krematinos then underlined that what was even more dramatic than the figures themselves was the rate of increase from quarter to quarter. He stated that Greece had not reached stability yet even though the overall situation might have improved slightly. Mr Krematinos also pointed at the lack of EU response to a phenomenon that worsened the employment situation in Greece: some companies have left Greece finding better, more attractive havens elsewhere in the EU. This is not a new situation but in times of crises, it certainly had a worsening effect.

José Eugenio Azpíroz Villar, Chairman of the Employment Committee of the Spanish Congress (Congreso de los Diputados) underlined the extreme figures of youth unemployment in Spain and welcomed the Commission proposal for a European Youth Guarantee. He then focused on the ongoing reforms in Spain: public deficit reduction, banking and financial reform, fight against fiscal fraud, educational reform. Those reforms are meant to tackle the crisis, create growth and jobs, and in particular generate jobs for young people. Another set of reforms is meant to supplement the first ones: reforms targeted specifically at the employment sector. Mr Azpíroz recalled the fact that 2012 was the international year of cooperatives and noted that despite the crisis these succeed in maintaining and creating jobs. He then highlighted three points: (i) the increase of entrepreneurs' contracts, (ii) training for jobs for youth under 30 (150 programmes in 2012) and (iii) the modification of the contract for training and apprenticeship. These had a positive effect on the unemployment rate, albeit a small one in the current context. There are ongoing negotiations with the social partners regarding possible government actions, but also private sector initiatives. In order to avoid a "lost generation", specific measures should be taken and the recommendation for a Youth Guarantee is particularly relevant and appropriate.

Tarja Filatov, Chairwoman of the Employment and Equality Committee of the Finnish Parliament (Eduskunta), gave a very concrete account of how the Finnish youth guarantee scheme functions. Each unemployed person under 25 and recently graduated under 30 are offered a job, on-the-job training, a study place, or a period in a workshop within 3 months. The "Sanssi card" promotes a wage subsidy granted by the Employment and Economic Development Offices to employers who recruit a young person under 30. The subsidy is meant to enhance the employability of young people who have found it difficult to find a job in the open labour market. The maximum salary support is around 700€ per month for a full-time job. The employer can get the support for up to 10 months. The employer which uses the Sanssi card can be a private company, organisation, foundation, association or local authority.

Joanna Skrzydlewska, EP rapporteur on the own-initiative report on Youth Employment, voiced concern that unemployment is still on the rise, and that jobs that are generated often are of a precarious nature. She indicated that young people are heavily over-represented where it concerns short-term contracts, with career uncertainty leading to consequences going beyond the purely economical, like postponing forming a family and lower fertility rates. Mrs Skrzydlewska welcomed the Commission's draft Council Recommendation on introducing a Youth Guarantee at Member State level but warned that more is needed. Education policies and school curricula that are tailored to the needs of the labour market, policies fostering entrepreneurship and better access to EU funding for policies aimed at tackling youth unemployment are all elements that need to be addressed.

Ole Christensen, EP draftsman for opinion on the EU Youth Strategy 2010-2012, briefly recalled the figures across the EU. He then stressed the serious consequences of lengthy unemployment for young people. He noted that measures designed to fight youth unemployment needed to be made extremely visible and that young people through youth fora need to be consulted and involved in the design of youth policies. In addition, Member States need to cooperate more and better, we need to streamline our exchanges of best practices, stated Mr Christensen.

Members of the European and national Parliaments touched upon a variety of issues, including how to avoid school drop-outs, employers' investments in school programmes, the need for concrete, ambitious measures and not only exchanges of best practices, the fact that structural reforms that were necessary for years, are being put in place only now. Some Members of national Parliaments also called for flexibility in the implementation of measures and some voiced their opposition to a youth guarantee that they interpreted as a public subsidy of jobs that would not exist otherwise. Others were very much in favour of a European scheme, and a representative stated that while the constitution was not adopted in 2005, the EU should not shy away from its institutional challenges.

Marije Cornelissen MEP called for all Member States to submit national job plans this year, with a specific focus on youth, and also called for Member States to better involve stakeholders. **Tarja Filatov** recalled that the Finnish Youth Guarantee was a support to companies that created jobs, that some work is better than no work, allowing the dialogue with young people to continue. **Ole Christensen MEP** stated that there was a right balance between those who think that subsidies don't create jobs and those who want their youth to be occupied and kept in the job market.

Joanna Skrzydlewska MEP said that without cooperation with national Parliaments the situation of young people would not change. She highlighted two items described by Tarja Filatov (the "Sanssi card" and the 700€ bonus) that she hoped to incorporate in her report.

Pervenche Berès, Chairwoman of the EP Committee on Employment and Social Affairs, concluded the session underlining the risks of a lost generation, of school drop-outs, the rate of qualified unemployed people, the need to submit national job plans, the need to use the Social Clause throughout EU policies (Article 9 of the TFEU). The Chairwoman stated that the Youth Guarantee proposal is already a compromise and that Member States should not dilute it.

SESSION 2: SOCIAL IMPACT OF ECONOMIC ADJUSTMENT PROGRAMMES IN THE MEMBER STATES EXPERIENCING FINANCIAL DIFFICULTIES

The session provided an opportunity for the participants to discuss the ways Member States monitored the social impact of austerity measures that have been adopted. The discussion also focused on the balancing between austerity measures and the Europe 2020 targets, including the poverty reduction objective. The session was organized as an exchange of views with José Manuel Canavarro, Chairman of the Committee on Social Security in the Portuguese Parliament, Arvils Aseradens, Vice-Chair of the Social and Employment Matters Committee of the Latvian Parliament, Veronica Lope-Fontagné, EP rapporteur on EMPL's report on the European Semester and the Annual Growth Survey 2013.

José Manuel Canavarro, Chairman of the Committee on Social Security and Labour of the Portuguese Parliament (Assembleia da República), qualified as a daunting task the measurement of the social impact of austerity measures adopted in Portugal. Figures are bad, and all expenditures have decreased. Regarding 2014 cuts, the government is trying to dampen as much

as possible the social impact of those cuts. José Canavarro stressed the importance of twinning education with professional experience.

Arvils Aseradens, Vice-Chair of the Social and Employment Matters Committee of the Latvian Parliament (Saeima), stated that the austerity measures adopted in Latvia had been extremely unpopular but that the position of its government had been both criticised and praised since. He noted the importance of the support from structural funds and highlighted some of the measures that have been put into place (for instance, one minimum income per family). More than 10% of the Latvian population left the country to find a job elsewhere. The government is now working on creating programmes to encourage Latvian people to come back but the situation is still difficult, with the emergence of working poors. Social exclusion is one of the main items on the government's agenda. He also mentioned the fact that the Latvian economy had been completely restructured and concluded that Latvia followed the right route (internal devaluation) but that the price was dire.

Veronica Lope-Fontagné, EP rapporteur on EMPL's report on the European Semester and the AGS 2013 stressed the fact that structural actions are meant to creating jobs and that a balance need to be struck between having a hard line on fiscal tightening and increasing expenditures. She noted that the burden on citizens was reaching its breaking point but that forecasts were slightly better globally.

Members of the European and national Parliaments touched upon a variety of issues, including references to the International Monetary Fund's review of austerity measures, the need for new ideas, the issue of demographics in the crisis, the consequences of budget discipline and the need for added flexibility and flexibilisation of adjustment programmes.

Chairwoman **Pervenche Berès** concluded the session by noting, that adjustment programmes probably had too much of an impact on automatic stabilisers and that stakeholders and national Parliamentarians should be more involved in the design of the programmes also if today at the EU level new ones are created. The Chairwoman also stressed that the International Labour Organization (ILO) should be associated to the Troika (thus becoming a Quartet), the need for added flexibility and for national Parliaments to support the EU budget as an investment budget, including the fact that 25% of the cohesion policy budget should be dedicated to the ESF, focusing on training and re-training and not on roads or infrastructure anymore.

CONCLUDING PLENARY SESSION

Wednesday 30 January, 9.00-12.30

The concluding session started by summary reports and conclusions of the discussion during the three preceding interparliamentary committee meetings given by the respective chairs, **Sharon Bowles** (Committee on Economic and Monetary Affairs), **Alain Lamassoure** (Committee on Budgets) and **Pervenche Berès** (Committee on Employment and Social Affairs). Following that, **José Manuel Durão Barroso** (President of the European Commission), **Herman Van Rompuy** (President of the European Council), **Seán Barrett** (Speaker of the Irish *Dáil*) and **Martin Schulz** (President of the European Parliament) addressed the session.

President Barroso welcomed the fact that the Parliamentary Week became a regular event and congratulated Members on their cooperation as a democratic debate was needed on the European Semester with its budgetary, fiscal, macroeconomic and social dimensions. He underlined that the efforts on EU level to fight the crisis had been worthwhile, but that nevertheless there was no room for complacency: amongst other social issues, youth unemployment remained a serious problem in most Member States. He called for support for the proposed youth guarantee and for sufficient funding for the next MFF to overcome the crisis. He furthermore called for action on

- 1) structural reforms in Member States (e.g. more flexible markets in services and labour),
- 2) Euro zone governance and 3) political union of all Member States.

President Van Rompuy underlined that the worst of the financial crisis was lying behind and that the Euro was an irreversible project. He highlighted the progress on economic governance that had been achieved over the past year, with further reforms still to be agreed in the course of the year. He agreed that many reforms in Member States had been tough and that there was still a time lag between reforms, growth and employment. Nevertheless, Member States and EU are on the right track to combine greater responsibility and solidarity. To solve the still existing problems, acting on the core drivers of competitiveness and closer alignment of financial frameworks and economic and fiscal policies is needed. The plans for banking union through the Single Supervisory Mechanism and common resolution mechanism have already reached an advanced stage. In addition, one of the conclusions of the last European Council meeting in December was that coordination of economic and fiscal policies should be done even more closely, for example through ex-ante coordination of major economic measures in the Member States. He also mentioned contracts between the EU and Member States on structural reforms.

Seán Barrett, Speaker of the Irish *Dáil*, fully supported the idea that Parliaments should have a bigger role in the decision making process. He made a number of concrete proposals to fight the current crises: Unemployed people should be allowed to use and transfer their skills in third world countries while still receiving unemployment benefits; EU funds should be targeted specifically to tackling the problem of youth unemployment; and Parliamentary TV channels across the EU should be linked in order for citizens to follow the debates in other Member States and the European Parliament. He recalled that in Ireland reforms were difficult, but that EU partners stood by the Irish in the time of crisis. However, the recovery is still fragile and needs to be maintained in the future. The support of the EU partners is still needed, in particular in reducing the level of debt. Mr Barrett underlined that 2013 is the European Year of Citizens and one of the big issues that should be tackled is the communication deficit between the EU institutions and EU citizens, as currently citizens only hear about the EU in a negative context, when new rules and austerity measures are being introduced. Communication should be improved, particularly in 2014 with EU elections coming up.

President Schulz thanked all Members for coming to the Parliamentary Week and emphasised the quality of the debate.

National Parliamentarians expressed concerns regarding the democratic legitimacy as the decisions should not be taken without Parliaments. Furthermore subsidiarity concerns were raised with regard to several policy measures. In general, a broad set of topics was addressed by Members, ranging from cohesion and agriculture to the financial transaction tax, banking union and the youth guarantee. In addition, the importance of the next MFF was mentioned by several speakers. The question of transparency in the decision-making process at the EU level was raised, as EU summits were held behind closed doors. The general view was that cooperation between EP and national Parliaments should be reinforced in order to act as a counterweight to the European Council.

Chair Lamassoure emphasised that the European Council's role was to set guidelines and not to act as a supreme body in the decision making process. **Chair Berès** stated that there could not be a mere "copy-paste" of the interparliamentary conference set up for the Common Foreign and Security Policy and the Common Security and Defence Policy to implement Article 13 of the TSCG and that the current format of the European Parliamentary Weeks seems very promising.

In his concluding remarks, **Vice-President of the European Commission Maroš Šefčovič** stressed the importance of further deepening of the interparliamentary cooperation. He also underlined the need for social coordination and convergence, and stressed the importance of

coining 25% of the cohesion funds to the ESF to concentrate the money where the problems are the most serious. He then concluded that the two guiding principles of the cooperation between Parliaments should be accountability (both at the level where the decisions are taken and at the level where they have the effects) and legitimacy.

EP Vice-President Podimata reminded participants that elected representatives of both national and European level still need to agree on the concrete implementation of Art. 13 of the TSCG and that this European Parliamentary Week had brought an important exchange on this issue.