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European Semester 3608



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**PRESIDENCY NOTE**

from:	Presidency
to:	Committee of Permanent Representatives/Council
Subject:	Implementation of the European Semester - Synthesis report

Delegations will find attached the synthesis report prepared by the Presidency on the discussions and the main political messages of the different Council configurations in relation to the 2012 European Semester.

## **PRESIDENCY SYNTHESIS REPORT**

### **Introduction**

2012 marks a full European Semester building on the enhanced economic policy coordination. Given the current economic environment, restoring sustainability and credibility of fiscal policies is the prerequisite to renew growth and job creation. Growth-friendly fiscal consolidation must be reinforced by structural reforms and resolute action to ensure that EU goals for growth and employment as defined in the Europe 2020 strategy will be met. The momentum for reforms should be used to ensure a substantial European Semester process that can make a real difference in that respect and contribute to moving Europe out of the crisis. Implementation is key. At EU level, implementation of the reformed economic governance structure is crucial with a view to strengthening the growth and employment potential of European economies and ensuring competitiveness. But the primary responsibility for the necessary consolidation and reforms rests with Member States. In order to sustain healthy public finances and establish the basis for renewed growth, structural reforms such as labour market reforms and pension reforms have to be implemented and anchored in national legislation.

This report synthesises the results of discussions within the Council regarding the Commission's Annual Growth Survey 2012, and the implementation of agreed reforms at national level. It draws on the bilateral meetings between the Commission and Member States reviewing country-specific situations. The country-level analysis will be further refined throughout the next stages of the European Semester. Nevertheless, this report gives a first indication as to the achievements and gaps in implementation of reforms across EU Member States.

In the Europe 2020 Strategy, the European Council has endorsed common objectives to achieve smart, sustainable and inclusive growth, including the five targets for 2020, guiding the action of Member States and the Union, to promote employment, improve the conditions for innovation, research and development, meet our climate change and energy objectives, improve education levels and promote social inclusion, in particular by reducing poverty.

In 2012, Europe will focus on differentiated, growth-friendly fiscal consolidation, restoring normal lending to the economy, promoting growth and competitiveness, tackling unemployment and modernising public administration.

The Annual Growth Survey shows that progress has been made in a number of areas, but much remains to be done.

In particular, measures announced or adopted during 2011 must now be implemented rigorously in all Member States. The economic climate makes this difficult, but should be seen as an incentive to further focus efforts, both at the national and the European level.

Commitments regarding the objectives on poverty, education, innovation and green growth, in particular, should not be set aside while not endangering rigorous fiscal consolidation.

- Fiscal consolidation efforts have been undertaken by almost all Member States but further efforts appear necessary and, in several countries, medium-term budgetary frameworks remain to be strengthened. Ad hoc measures regarding VAT systems taken by some Member States have yet to produce results. There has only been limited progress across Europe as regards the shift of taxation away from labour. The coherence of the measures taken and their impact on growth and fiscal consolidation also remain to be analysed.
- Efforts to increase competitiveness are still needed, in particular, to increase competition in the retail, service and infrastructures sector. While the transposition of the Services Directive in Member States is progressing, more support needs to be given to enhancing cross-border labour mobility including by revision of the EU rules on mutual recognition of professional qualifications.
- Improving the environment in which businesses, including SMEs, operate is important, in particular the reduction of unjustified administrative and regulatory burdens.

- Promoting employment is a key policy objective in all Member States. Nevertheless, in many countries, more could be done in terms of active labour market policies and to combat labour market segmentation and excessively rigid employment protection legislation, reform unemployment benefit systems to make work pay and enhance employability of vulnerable groups. Youth unemployment remains of critical concern. Progress on the inclusion of young people in the labour market is still insufficient in several countries.
- Dual training and other reforms are under way in education systems, but investment in education and training is affected by fiscal constraints in a number of Member States. Ensuring quality of public spending in these areas is a particular priority.
- Pension system reforms have been undertaken in some Member States and are under way in a number of others, but their impact is often hampered by early retirement opportunities and special schemes that are still in place.
- The number of people at risk of poverty is on the rise, and has not been effectively addressed. More focus on increasing labour market participation of vulnerable groups could help address this concern. Some countries still have to take action to address the interrelated issues of household indebtedness and housing markets.

While Member States are planning a number of measures to respond to these concerns, efforts should be pursued with a strong emphasis on the implementation, not least with regard to the Single Market and assessment of the impact of the measures taken. This work should include the commitments made under the Euro Plus Pact which should be further focused on key reforms to achieve the objectives of the Pact. The Pact provides for added value to and complement the reform focus of the Europe 2020 strategy fully within the timing and context of the European Semester.

Vigorous action is also required at European level, notably on the swift adoption of measures with the greatest impact on growth and jobs. In particular, the European Council has asked the Council to intensify its work on the 12 priority levers of the Single Market Act, and to reach an agreement by the end of June 2012 on standardisation, energy efficiency, the simplification of accounting requirements, the last outstanding issue in the patent package, and the simplification of public procurement rules by the end of the year.

The European Parliament has set out its views on the European Semester in two resolutions adopted on 15 February 2012 on, respectively, the contribution to the Annual Growth Survey 2012 and employment and social aspects in the Annual Growth Survey 2012.

### **Economic and financial affairs**

The ministers, in their meetings of 24 January and 21 February 2012, expressed broad support for the assessment presented in the Annual Growth Survey and its five priority areas. Fiscal consolidation is a necessary condition for restoring growth and employment, but should be as growth-friendly as possible. Furthermore, focus should also be on those initiatives and reforms that help foster growth and employment in the short and medium term within the scope of a confidence-restoring fiscal consolidation.

The ministers reiterated that failing to foster growth would prolong the current debt crisis. Structural reforms were acknowledged as essential for growth. These should include increasing competition and opening closed sectors, improving infrastructure, and modernising public administration. Pension schemes should be modernised to ensure financial sustainability. It was also noted that it is essential to reform labour markets and related social security system notably so that unemployment benefits are constructed so as to actively support the job-seeking process. All ministers agreed on the high priority of reducing unemployment, in particular youth unemployment as the EU could not afford a "lost generation".



At EU level, it was noted that the Single Market needs to be strengthened and its efficiency ensured. Among other things this implies further progress on enhancing the Digital Single Market and reducing the regulatory burden for especially SMEs. Moreover, it is crucial to agree on the patent package. It was highlighted that, alongside a strengthened Single Market, a number of the Europe 2020 flagship initiatives could make an important contribution to growth.

Ministers discussed the measures to ensure differentiated growth-friendly fiscal consolidation. A medium-term budgetary framework should be in place in all euro-area Member States by the end of 2012 and in all Member States by the end of 2013 at the latest. In general, the well-needed budgetary consolidation should be in accordance with or faster than the medium-term objective. To create the conditions for long-term growth and restore confidence, fiscal consolidation should involve a reduction of structural deficit and eliminate the risk of slippage from the medium-term objective. As public acceptance is necessary for successful implementation, distributional effects should be taken into account when designing reforms.

It was stressed that growth-friendly consolidation should also involve shifting taxation away from labour towards other less distortive areas of taxation. Tax systems should be made more effective and efficient. As an example, this should be done by removing unjustified exemptions and subsidies, broadening the tax base and improving the efficiency of tax collection.

Ministers agreed that the Commission's Annual Growth Survey rightly attaches high priority to restoring investor confidence in the banking sector and to ensuring the flow of credit to the real economy.

The macro-economic and fiscal guidance is further elaborated in the conclusions adopted by the ECOFIN Council (6353/112 REV 1). Conclusions by Member States participating in the Euro Plus Pact (6404/1/12 REV 1) outline the measures required to make full use of the Pact for enhancing competitiveness and convergence.

The bilaterals between the Commission and Member States examined the progress with fiscal consolidation at Member State level. Whilst there is a general commitment to fiscal consolidation, measures still need to be taken by a number of Member States to ensure that consolidation remains on track as well as to establish or strengthen medium-term budgetary frameworks. In addition to consolidation at central level, measures are necessary to curtail regional and local spending, ranging from legal spending limits to reviewing the tasks of different levels of government.

Taxation was one of the key themes of the bilaterals. While the benefits of reducing the tax burden on labour and using other taxes to create incentives for greener behaviour, for example, are recognised, the shift from labour to other sources of taxation has been slow. The importance of broadening the tax base and reducing the special VAT rates and VAT exemptions was also raised. Furthermore, in some cases, renewed efforts are required to combat tax evasion and tax fraud.

For some Member States, the bilaterals provided an opportunity to discuss the housing market situation and household indebtedness, and the measures needed to manage them, including through taxation. For others, the focus was on the reform of public administration, including the issues of civil service pay and absorption capacity for EU funds.

#### **Employment, social policy, health and consumer affairs**

In the framework of the European Semester, the Council (EPSCO) held an extensive policy debate on 17 February 2012 on priorities for action in the areas of employment and social policies.

Ministers' interventions highlighted the need for a stronger focus on best practices and acceleration of structural reforms. The debate showed a large consensus on the urgency of striking a balance between fiscal consolidation measures and the need to maintain social cohesion.

Ministers stressed that healthy public finances and economic reform constitute the basis for recovery, and that these must urgently be coupled with a focus on growth to ensure that the economic upturn is job-rich and takes social concerns duly into account. Reform measures need to focus on delivering in both the short and the long term. Multilateral surveillance and exchange of best practices within the context of the European Semester must be strengthened. Ministers stressed the need for enhanced implementation and surveillance of Member States' NRP and Euro Plus Pact commitments with regard to employment policies. Concerning the Alert Mechanism Report, ministers highlighted the importance of EMCO and EPSCO being closely involved in the process and ensuring full ownership when imbalances relate to the labour market.

Ministers underlined that growing unemployment has become a major issue for nearly all Member States. Ministers emphasised the importance of reforming the labour markets and making them more flexible in order to increase the participation of young people, women and older workers and the long-term unemployed. Youth unemployment was identified by Member States as a priority area which needs to be immediately addressed both at national and European level. Ministers recalled the statement of the members of the European Council of 30 January 2012 and welcomed the creation of Action Teams on Youth Employment. Many Member States had set up or were planning to establish youth guarantee schemes that would ensure that unemployed young people are offered employment, training or continued education within a short period of time. Several Member States welcomed the Austrian proposal for a European Youth Initiative for 2012-2013. Youth counselling, coaching and accompanying measures to give young people a first work experience must be strengthened, particularly to overcome barriers arising from lack of experience. On the financing side, the major role played by the ESF and the importance of structural funds in general were emphasised.

Ministers also highlighted the crucial role of education and training. Education and training systems need to be adapted to the needs of the labour market and school-to-work transitions must be facilitated. Dual systems have proved successful in some countries and could be further expanded. Skills shortages must be tackled, including through increased mobility.



For several sectors of activities the involvement of the social partners is decisive and could be further developed. Measures need to be stepped up to eliminate undeclared employment and encourage the move to the formal labour market. Life-long learning and longer working lives should be promoted to meet demographic challenges. Closely related to this, ministers stressed the importance of further developing the Single Market and of providing assistance for start-ups and entrepreneurship. Removing barriers and creating conditions for entrepreneurs to create new jobs, especially in sectors with growth potential ("green" and "white" jobs and those in the digital economy) should be a priority.

Excessively rigid employment legislation should be reformed to ease access for those left outside the labour market, encouraging the move from undeclared to regular employment and, where necessary, revising wage-setting mechanisms to better reflect productivity developments. At the same time, shifting taxation away from labour could make hiring easier and more attractive for employers and job-seekers alike.

Ministers highlighted that the objective should be to modernise and adjust social protection systems in order to make work pay. Reduction in public spending can be achieved through structural reforms while promoting active inclusion policies and alleviating the social consequences of the crisis for persons in the most vulnerable situations. Improved effectiveness of social protection systems as automatic stabilisers, combined with a higher level of labour market protection, will be crucial for pursuing the poverty-reduction/social-inclusion target in a context of limited financial resources.

The EPSCO Council adopted the Joint Employment Report (6252/12) and conclusions on political guidance for employment and social policies in 2012 (6601/12).

The Council endorsed the main findings and policy messages from the the Social Protection Committee on the social impact of the crisis as well as an opinion from the Committee on the 2012 Annual Growth Survey.

Labour market participation was at the core of most Member States' bilateral meetings with the Commission. An array of measures, particularly on the relationship between education/training and work, is required to urgently tackle youth unemployment. The segmentation of labour markets also has to be addressed when it comes to women, older workers, lower-skilled workers and other disadvantaged groups. The action required reaches far beyond labour market policies *per se*, calling for reforms of childcare services, for example. In certain cases, unemployment benefit systems still have to be reformed to provide adequate work incentives. In most Member States, the implementation of active labour market policies has to remain in focus. The effectiveness of public employment services has to be addressed in some countries.

Pension reform remains a major issue and was addressed in most bilaterals. Progress in Member States is mixed, with some having embarked on comprehensive reforms while others have only taken partial steps or none at all. In some Member States, no increase of the retirement age has yet been decided but, in a number of others, it is the early retirement options or the disability schemes that need to be revisited. More vigorous action is also needed to maintain the employability of older workers.

In the area of collective bargaining, some of the Member States concerned still have to take action.

Some bilaterals provided an opportunity to discuss the state of poverty and social exclusion where the Europe 2020 targets are slipping further. The reforms of the social safety net have to be counterbalanced with active inclusion policies. Targeted measures to help those most in need are required and are often being implemented at local level.

## Competitiveness

### *Internal Market and Industry*

On 20 February 2012, the Competitiveness Council discussed a number of issues related to competitiveness, on the basis of the Commission's Annual Growth Survey 2012. During the discussion three issues were in particular highlighted as being crucial at both European and national level in order to improve growth and job creation: promoting competitiveness and sustainable growth; access to finance and modernising the public administration.

As regards promoting competitiveness and sustainable growth, ministers agreed that swift adoption of the concrete legislative proposals in the Single Market Act in accordance with the strategic orientations of the informal European Council of 30 January 2012 is of key importance, pointing especially at the standardisation package, the simplification of the accounting directives and the public procurement rules, as well as the patent package. Implementation and governance of Single Market legislation was stressed and ministers welcomed the forthcoming Commission report on the implementation of the services Directive.

In addition, completing the Digital Single Market by doubling online sales by 2015, implementing the Commission's action plan for e-commerce rapidly and recognising the importance of copyright were recognised as being crucial.

Ministers acknowledged the opportunities for growth and job creation in moving towards a more sustainable and resource efficient economy when laying out future industrial policies. This can be supported by a further focus on smart regulation after 2012 in order to enhance growth and competitiveness. Ministers also underlined the importance of not only focusing on improving competitiveness, but likewise on improving competition in specific sectors, like the services sector.

Concerning access to finance, ministers agreed that it is key to growth and job creation, especially for SMEs, on which the detrimental impact of the credit crunch is bigger. They highlighted the importance of a swift agreement on the venture capital proposal and addressing relevant credit crunch problems both at a European and national level.

Ministers pointed at the significant role of the EIB, the importance of undertaking efforts to make existing financial sources more visible at national level and reducing red tape for accessing them.

As regards modernising public administration, ministers agreed that smart regulation should be approached with a focus on end-users and on removing unnecessary administrative burden especially for SMEs at national level in order to simplify and streamline in particular SME access to and communication with the public administration.

Ministers also stressed the need to make an enhanced use of digital solutions in the public administration and pursue full transition to e-procurement by 2016 in order to generate significant savings. Also, efforts for full digitalisation of Single Points of Contact and ensuring that e-invoicing should become the predominant invoicing mode in EU by 2020, should be undertaken.

### *Research*

In the light of the overall context described in the Presidency progress report, the Council ("Competitiveness – Research part") on 21 February 2012 debated research and innovation, with a view to contributing to the European Semester exercise.

The ministers agreed that research and innovation investments as 'growth-friendly expenditure' are crucial elements in the formulation of appropriate EU and national strategies to address the current crisis. Europe is in a context of fiscal consolidation and some Member States suffer from high levels of unemployment, mainly amongst young people. In addition to the short-term economic solutions, there is a need to invest in Europe's future in the long-term, and in this light the Ministers highlighted the importance of maintaining or increasing the investment in research and innovation and keeping ambitious R&D targets.

Private sector investment needs to be encouraged and stimulated through policy measures, as the public sector should play a leverage role to generate new private investment. It is also important to balance the supply and demand side measures. Available instruments need to be much better focused in order to reply to Europe 2020 and Innovation Union objectives and priorities.

Concerning EU level measures, Ministers highlighted the important role of partnerships and innovation platforms to give response to societal challenges, for example through European Innovation Partnerships and Joint Programming initiatives. Horizon 2020 – The Framework Program for Research and Innovation is of capital importance for bridging the innovation divide and improving the framework conditions for SMEs participation. However, there is a need to improve business access to EU funding, especially for SMEs, through measures such as innovative public procurement, enhanced access to risk capital, the setting up of standards and venture capital.

Ministers also supported reforms at national level that are considered fundamental to address the current crisis. These are reflected in a set of measures focusing on five growth-enhancing policy objectives: increase of public sector effectiveness; design on balanced policy mixes of supply and demand side measures and their governance; removal of bottlenecks to the growth of innovative enterprises; reform of education and university systems and investment in human capital development to foster excellence and mobility of people and cross-border cooperation through the pooling of resources and the full use of Joint Programming Initiatives.



Moreover, the importance of establishing smart specialization strategies for the regions was underlined.

The discussion also underlined the essential role of 'working together' and ensuring synergies between regional, national and EU policies and programs in order to provide a more effective response to the crisis through pooling resources and creating critical mass.

Moreover, the Presidency indicated its intention of doing its utmost to reach an agreement on the patent package by the end of its Presidency, which could also help in enhancing Europe's competitive position in the global scene.

The bilaterals between the Commission and Member States covered a number of issues related to competitiveness. Reforms are under way in a number of Member States to improve the business environment, but work remains to be done to reduce the administrative burden. This applies in particular to e-Government and civil justice reform as well as to the specific issue of late payments. As part of restoring normal lending to the economy, business access to finance calls for targeted measures, for example in the area of venture capital. Continuing public support for research and innovation is important but has to be carefully designed.

Competition remains one of the key areas for promoting growth where further efforts are needed. Retail, professional services and local services are sectors to be addressed in a number of Member States. Full implementation of the Services Directive is of key importance in this regard.

### **Telecommunications**

The TTE Telecom Council of 13 December 2011 addressed the European Semester in the context of the implementation of the Digital Agenda, one of the Europe 2020 flagship initiatives. Ministers underlined the need to complete the Digital Single Market by 2015, which is also emphasised in the Annual Growth Survey for 2012.

While good progress on the Digital Agenda has been made, there is still a need for further action, primarily relating to establishing world-class broadband infrastructures and increasing broadband penetration in Europe. This could be facilitated by the Connecting Europe Facility, which should be adopted in a timely manner. Furthermore, besides finding an agreement on the patent package, work should proceed effectively on the priority files identified in the Annual Growth Survey, notably as regards the creation of a truly competitive market for mobile roaming as well as a legal base for the mutual recognition of electronic signatures. It is also important to adopt a copyright regime that meets the challenges of the digital era, to take initiatives to promote a cloud-friendly Europe and to promote e-commerce. These EU-level actions would make an important contribution to growth and jobs. At national and European level, more should be done to enable the creation of more ICT start-ups as well as to stimulate the public sector information market. A comprehensive roadmap covering all the required actions should be in place and progress closely monitored.

## **Energy**

The discussion of energy ministers on 14 February 2012 focused on progress in relation to energy efficiency and use of renewable energy as part of the headline targets of the Europe 2020 Strategy, and their growth and job creation potential. The renewed emphasis on the growth and competitiveness agenda of the strategy set out in the Commission's 2012 Annual Growth Survey was welcomed, underlining the contribution that secure, clean and affordable energy can make to the overall goals.

In relation to energy efficiency, additional measures need to produce results soon in order for the EU to achieve its 2020 objective. Early adoption of a robust and ambitious energy efficiency directive that provides the necessary flexibility for Member States to choose between the proposed binding measures and other additional measures with equivalent effect will make an essential contribution. Member States can build on existing measures and implement the most cost-efficient new measures, depending on national circumstances.

Despite the economic crisis, it is precisely in such times that investments in energy efficiency can boost sustainable growth in sectors negatively affected by the downturn. Focusing energy efficiency improvements on key sectors, such as buildings, transport, products and services, and the public sector, underpins the rapid market uptake of new technologies, development of skills and knowledge and thus contributes to overall EU competitiveness and job creation. Investments in energy efficiency partly finance themselves through lower energy bills in the medium and longer term however from a decreased energy consumption also follows a reduced revenue from energy taxes to the Member States. Modernised infrastructure, smart technologies, financing instruments to launch investment, and greater awareness are also critical to unlocking energy-saving potentials.

The forthcoming Commission report on the analysis of Member States' energy efficiency policies will allow a more detailed assessment of progress by the EU towards the 20 % energy efficiency objective.

As for renewable energy, full implementation of existing legislation is key, in particular as regards the internal energy market, as is making full use of the possibilities offered by the Renewables Directive, for example as regards cooperation between Member States and with third countries. Reducing administrative procedures and barriers hindering the development of renewable energy installations at macro and micro level remains of key importance. Adaptation of EU environmental legislation – most of which pre-dates the large-scale generation of renewables – may be required to prevent environmental legislation from blocking the generation of renewables where this is not warranted by environmental considerations.

New energy infrastructure and investments in smart grids and intelligent networks are needed to accommodate the increasing share of renewables; therefore the discussions on the proposed infrastructure regulation should proceed swiftly. However, it is also the responsibility of Member States to enable the construction of key infrastructure – including through ensuring public acceptance of renewable-energy installations.

Some further issues are worthy of continued attention in this context: fossil fuels as back-up fuel for renewable electricity generation, biomass and its regulatory framework in a global context, and the training of employees in the renewable energy sector.

It is also important to provide long-term, technology-neutral investment security, for the time horizons of 2030 and 2050, notably since funding of renewable energy generation capacity and research and innovation is tight, and access to finance remains a challenge for the public and private sector alike. Research and innovation are still of key importance to further driving down the cost of renewable energy.

The contribution of the renewable energy sector for jobs, growth, and the pillars of the EU energy policy – sustainability, security of supply and competitiveness – remains uncontested, but the focus must be on those renewable generation capacities that are most cost-efficient and bring most benefits in terms of jobs and growth. The role of nuclear energy was also emphasised by some Member States.

The bilaterals between the Commission and Member States provided an opportunity to address the issues of energy efficiency targets and plans, policies to promote renewable sources of energy and progress with regard to greenhouse gas emission targets.

### **Environment**

The environment ministers, meeting on 19 December 2011, acknowledged that policies on resource efficiency, natural resources, energy and climate change that underpin the transition to a low-carbon economy and a resource-efficient economy are key for Europe to sustain growth, improve EU's competitiveness and employment in the future. The economic aspects of resource efficiency are further detailed in conclusions adopted by the Council (ECOFIN) on 21 February 2012. These stress that actions must be consistent with the need for economic stability and fiscal consolidation and be economically efficient and cost-effective.

Delegations stressed the importance of integrating resource efficiency along with climate change, energy efficiency and renewable energy considerations in the European Semester.



The Roadmap to a Resource-Efficient Europe was welcomed as a key element of the resource-efficient flagship initiative under the Europe 2020 Strategy leading the EU into economic transformation towards a more sustainable and competitive economy, and contributing to world-wide efforts to ensure a transition towards a green, low-carbon economy. The Member States should prioritise actions with the most positive long term impact on Europe's competitiveness, sustainable economic growth and job creation in line with the overall objectives of the Europe 2020 Strategy.

Resource efficiency, including energy efficiency, has the potential to deliver cost reductions and greater business competitiveness, especially in view of increasing demands for natural resources leading to rising prices of raw materials. The promotion of water efficiency, in this context, could deliver cost reductions for consumers, industry and agriculture.

Policy measures contributing to resource efficiency include incentives to enhance the resource efficiency of products, incentives to purchase resource- and energy-efficient products and incentives for eco-innovation. The promotion of eco-innovation resulting in or aiming at significant and demonstrable progress towards resource and energy efficiency is essential for pursuing long-term sustainable growth.

Shifting taxation away from labour to boost employment and economic growth had already been emphasised in the Annual Growth Survey for 2011 and in the European Council conclusions of March 2011, and is also included in the Annual Growth Survey for 2012. "Green tax reforms", which consist in increasing the share of environmental taxes, while reducing others, have a role to play in this context. Environmental taxation and the removal of environmentally harmful subsidies should be integral parts of the European Semester and may contribute to a wider fiscal consolidation process in the Member States whilst facilitating the restructuring towards a resource-efficient and low-carbon economy.



The Environment ministers take note of the Annual Growth Survey for 2012 and acknowledge the important contribution of resource efficiency to implement the Europe 2020 Strategy. The Environment ministers encourages the Commission and the Member States to include further actions aiming at resource efficiency in the European Semester process and encourages member States, when drawing up and revising strategies, to give due consideration to resource efficiency measures and the need to advance investment in green jobs and skills, to share these strategies with other Member States, the Commission and all relevant stakeholders and to report their progress on the different aspects of resource efficiency in their National Reform Programmes as appropriate.

The Environment ministers supported a cross-sectoral approach to resource efficiency that aligns the requirements of a resource-efficient, low-carbon economy in all relevant sectors.

### **Education**

Ministers responsible for education and training met on 10 February 2012 at the Education, Youth, Culture and Sport Council to consider – in the context of the current alarmingly high levels of youth unemployment across the EU – how education and training policies can have a positive short-term as well as long-term impact on youth employment. As highlighted in the statement issued after the informal European Council on 30 January, a particular effort needs to be made immediately at national and European level to improve labour supply and reduce youth unemployment.

Member States discussed which single policy initiative in the field of education and training should be taken in 2012, at national or European level, as a contribution to tackling the present high levels of youth unemployment and alleviating the social consequences of the crisis for young people.

Ministers emphasised that, in line with the 2012 Annual Growth Survey, Member States should give priority to further adapting education and training systems to reflect labour market conditions and skills demands, while reinforcing their efficiency and quality. Ministers reiterated their commitment to working together in order to equip people with the skills needed for future growth and jobs and to reaching the headline target in the field of education and training in the Europe 2020 Strategy: to reduce the number of early school leavers and to encourage more young people to complete tertiary or equivalent education.

Education and training policies can play a vital role in combating and preventing unemployment, especially among young people. Stronger cooperation between education and training providers, social partners and other relevant stakeholders should be promoted in order to support a smoother transition from education to work.

One way of achieving this transition involves enhancing the link between education and training and the labour market by strengthening the practical elements in education and training programmes, including by introducing a dual approach in vocational education and training, and cooperating with social partners in the development of curricula. Better recognition of skills and competences acquired through formal, non-formal and informal education and learning could also be promoted.

At European level, ministers underlined the importance of working together, via the open method of coordination, to ensure a smoother transition from education to work through dual education and enhanced cooperation with the social partners.

The transition from education/training to professional life was frequently addressed in the bilaterals between the Commission and Member States. It was emphasised that vocational training plays a key role but has to meet labour market needs and be designed in such a way as to maintain student motivation. The dual-training systems in force in some Member States can be a source of best practice. Progress towards the Europe 2020 target on school drop-out rates is, from a youth unemployment perspective, a preventive measure, and should thus be made in all Member States.

Higher-education reforms are ongoing in a number of Member States, in particular to increase the autonomy of higher-education institutions and cooperation among them and to introduce student credits and limits on length of study. In some Member States, however, there is a risk that decreasing public investment in education affects not only the education system but also the wider conditions for growth. Progress towards the Europe 2020 target for higher education was reviewed in a number of bilaterals. Some Member States pointed out that targets have to reflect the employment opportunities for tertiary graduates.

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