

## **Conference of Speakers of European Union Parliaments**

*Nicosia, 21-23 April 2013*

### **Session III: Social Cohesion in Times of Austerity –**

#### **What can National Parliaments Do?**

#### **Background Paper**

The financial and economic crisis has underlined the high level of interdependence of Eurozone member states' economies and the clear need for stronger economic governance and coordination at EU level. The European Union (EU) proceeded with bold decisions aiming at strengthening fiscal governance in the European and Monetary Union (EMU), such as the "Six Pack" legislation, the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG), the "Two-Pack" proposals and the European Stability Mechanism (ESM). The current economic crisis and the austerity measures taken to address it, have already had a huge social impact, such as high unemployment and sluggish growth. The need to achieve conditions of social cohesion and inclusion in the EU member states is even more imperative today, in the light of the continuing crisis.


The EU efforts to strengthen the EMU have been supplemented by additional initiatives taken to boost sustainable growth and employment. The "Europe 2020" Strategy for smart, sustainable and inclusive growth, adopted in 2010, targets at lifting at least 20 million people out of poverty and social exclusion and at increasing employment of the population aged 20-64 to 75%. However, the continuing crisis constrains the fulfillment of the "Europe 2020" social targets. The "Employment Package" presented by the Commission on 18 April 2012, provides a medium-term agenda for EU and Member State action to support a job-rich recovery. Moreover, the "Compact for Growth and Employment" agreed by the June 2012 EU Summit, calls on the member states to engage in differentiated and growth-friendly fiscal policies, to promote development and competitiveness, to fight unemployment and to effectively address the social impact of the crisis. The "Social Investment Package: Towards Social Investment for Growth and Cohesion" of the European Commission, adopted on 20 February 2013, addresses the growing risk of poverty and social exclusion arising from the crisis. The Commission emphasises the importance of social investment, as Member States need to shift their focus to investment in human capital and social cohesion, within their existing budget constraints. The Social Investment Package also offers guidance to Member States on how best to use EU financial support, notably from the European Social Fund.

The national Parliaments should be adequately involved in shaping and implementing the framework for stronger economic and social reforms at the national level. The European Semester process, introduced through the “Six Pack” legislation, is a tool to improve EU policy coordination both on macroeconomic and structural issues. National Parliaments have to ensure that the process is democratic and transparent and that it also has a democratic accountability. The democratic legitimacy of the European Semester can only be achieved through the direct involvement of national Parliaments in all stages of the process. National Parliaments may be involved in the discussion of the Stability or Convergence Programmes and National Reform Programmes of their countries before they are submitted to the European Commission. These programmes, being taken into account by the European Commission for the country specific recommendations, contain the most important economic and social decisions to be taken in the coming year. The national Parliaments should also be informed on the draft of the specific recommendations of their country and may send their opinion to the national Governments. During the debates on national budgets, the national Parliaments have to evaluate if the country specific recommendations have been fully considered, and appropriately reflected in the national budgets.

However, there is broad consensus that the strict austerity measures alone cannot solve the problems faced by the EU and its member states, without achieving balance among fiscal consolidation, sustainable growth and social cohesion. The desperate situation in which a substantial part of the population in seriously affected EU member countries find themselves, underlines the need for additional policies aiming at growth. In this respect, solidarity among EU member states is of paramount importance.

The Lisbon Treaty has enhanced the democratic accountability of both the European Parliament and national Parliaments. Further strengthening of the EMU, has to be accompanied by the proportionate involvement of the European Parliament and national Parliaments. The cooperation between the European Parliament and national Parliaments should be further enhanced, building on the Article 13 of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG) and Protocol 1 of the Treaty of Functioning of the European Union. The European Parliamentary Week on the European Semester for Economic Policy Coordination and the Political Dialogue with the European Commission also contribute towards the achievement of this goal.

However, if social cohesion is not to be trampled in the course of adopting austerity measures, democratic control and accountability should occur at the level on which the decisions are taken and implemented, including decisions by the Troika (European Commission, European Central Bank and International Monetary Fund).



The dire situation in which the Republic of Cyprus has found herself as a result of the recent Eurogroup decision aptly demonstrates the consequences of gross failure to uphold these principles of democratic control and accountability. Parliaments cannot be kept in the dark and asked to merely approve measures which have been prepared in decision-making centers which are far from transparent, particularly when these measures destroy the very fabric of society. Nor should the European Parliament also be kept uninformed of the work deliberations until a final plan is in fact imposed on Eurozone members in crisis.

Above all, social cohesion in times of austerity is not feasible if a founding principle of the European Union is disregarded: The principle of solidarity between member countries. If the approach towards an EU member is dictated by strict adherence to economic –and sometimes political- considerations with no respect for the social implications in that member, then social cohesion is being devoured.

The Speakers Conference, which will be hosted between the 21<sup>st</sup> and 23<sup>rd</sup> of April 2013, by the House of Representatives, aims to add to the active involvement of the national Parliaments, in the shaping of economic and social policies. The implementation of balanced and socially sensitive policies is particularly important, in the midst of the financial crisis which has greatly affected the living standards of European citizens. In the forthcoming Conference the national representatives will have an opportunity to discuss and express views on the further enhancement of the involvement of national Parliaments, in the context of the European Semester, in order to ensure the necessary democratic accountability and legitimacy of the process.

Possible issues for consideration by national Parliaments, in order to stimulate discussion on how national Parliaments may become more proactive players in the evolving economic governance of the EU, may include:

- Democratic legitimacy and accountability of the future of the Economic and Monetary Union, including decisions seriously affecting the lives of citizens,
- Adopting policies to give substance to the pivotal principle of solidarity between EU member countries
- Active involvement of national parliaments in the European Semester and National Semester
- Article 13 of the Treaty on Stability, Coordination and Governance (TSCG)
- Enhanced participation of national parliament in the Political Dialogue with the European Commission

