

DÁIL ÉIREANN

AN COMHCHOISTE UM GHNÓTHAÍ AN AONTAIS EORPAIGH

JOINT COMMITTEE ON EUROPEAN UNION AFFAIRS

Dé Céadaoin, 20 Samhain 2013

Wednesday, 20 November 2013

The Joint Committee met at 12 noon

MEMBERS PRESENT:

Deputy Timmy Dooley,	Senator Colm Burke,
Deputy Bernard J. Durkan,	Senator Terry Leyden,
Deputy Seán Kyne,	Senator Kathryn Reilly.
Deputy Dara Murphy,	

DEPUTY DOMINIC HANNIGAN IN THE CHAIR.

Business of Joint Committee

Chairman: I ask those in attendance to turn off their mobile phones. It is not sufficient to leave them in silent mode as they interfere with the broadcasting equipment. Apologies have been received from Deputies Seán Crowe, Joe O'Reilly and Eric Byrne.

Social Dimension of Economic and Monetary Union: Discussion with European Commission

Chairman: The first matter on our agenda is a discussion of the social dimension of Economic and Monetary Union. On behalf of the joint committee, I welcome Mr. Koos Richelle, director general, Directorate-General for Employment, Social Affairs and Inclusion at the European Commission. We are grateful that he has travelled from Brussels to appear before us. He is accompanied by Mr. Jonathan Claridge whom we all know from the European Commission Representation in Ireland.

There is a growing debate at European level on whether social indicators should play a larger role in how we consider EMU. The Commission has recently issued a communication on the social dimension of EMU which outlines how social indicators could be part of the formal economic surveillance associated with EMU. These indicators include items such as long-term unemployment, household disposable income, the at-risk-of-poverty rate and inequality. We look forward to hearing the Commission's proposals on these indicators from Mr. Richelle.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official either by name or in such a way as to make him or her identifiable. By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings should be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against a person or an entity by name or in such a way as to make him, her or it identifiable.

Mr. Koos Richelle: I thank the Chairman and honourable members for their invitation. It is a pleasure and an honour to be here. It is an honour for reasons I do not have to explain. It is a pleasure because this is the only parliament that has invited people from Brussels to come and explain the social elements of EMU. I thank it for this. As part of the ongoing work to complete EMU, the European Commission on 2 October adopted a proposal to strengthen the social dimension of EMU. This communication can be understood only in connection with the blueprint the Commission published on the way forward for EMU.

The work started under the Irish Presidency of the European Union. Ireland has made a much appreciated input into this matter. The discussions at the time were critically important for the proposals on the table. The social dimension of EMU relates to the ability of economic governance mechanisms and related instruments to identify, take into account and address problematic developments related to employment and social policies in monetary union in good time. The proposals set out concrete ways to develop the social dimension of monetary union

as an integral part of economic governance.

We see three major strands of action. First, there are reinforced surveillance of employment and social developments and strengthened policy co-ordination within existing economic policy co-ordination instruments. Second, there are enhanced solidarity action and support for labour mobility. Third, there is a strengthening of social dialogue. When we started to develop our thoughts, there was a big discussion on whether we should build this into macroeconomic governance or make it a separate line. This discussion was quickly ended with the conclusion that if we did not build it into macroeconomic governance, we would lack the strong legal foundation created for macroeconomic governance. Such a thing does not apply for social governance at a European level. We would also have a difficulty in bringing this into the yearly process of discussion.

We developed the idea of developing a limited number of additional auxiliary employment and social indicators in the main part of macroeconomic governance, that is, the alert mechanism report we produce every year. It was published on 13 November this year, with the annual growth strategy and the joint employment report. The in-depth country reviews assessing the existence of macroeconomic imbalances should also consider a wide range of social indicators to clarify interlinkages between mounting macroeconomic imbalances and social developments and arrive at better calibrated policy orientations.

The Commission has put forward an autonomous scoreboard of key employment and social indicators allowing for early identification of major negative developments in the employment and social performance of a member state, as well as a significant divergence between countries. The proposed indicators on this scoreboard are: unemployment levels; NEETs, people not in employment, education or training, and youth unemployment rates; the real gross disposable income of households; the at-risk-of-poverty rate of the working age population; and inequalities. The Commission believes these indicators should allow for timely identification of major employment and social problems, especially those with cross-border effects. The cross-border effects make the link with the European semester.

The issues are not just expressions of a warm heart, a good feeling and sympathy. They can also be put into clear economic reasoning. High levels of unemployment and inequality translate into lower domestic demand and spillover effects for imports. They result in a loss of human capital and skills, which undermines future productivity. They may lead to political instability and insecurity and a country is confronted with higher rates on the financial markets. The Commission has incorporated the employment and social scoreboard into the draft joint employment report that is linked with the annual growth strategy. This will help to better target the discussions in the course of the European semester where we have facts and figures to deepen our analysis of a country and form the basis for country-specific recommendations that will be issued in May in view of the European Parliament elections in early June next year.

Having a scoreboard is one issue. Identifying countries or sectors for actions and priorities is a second. The scoreboard must be understood because it includes only facts and figures. To understand the scoreboard, we use the work of the employment committee and the social protection committee, two committees serving the Employment, Social Policy and Consumer Affairs, EPSCO, Council at which these issues are dealt with on a political level. Policy guidance based on best performance and multilateral surveillance can help to focus the efforts of governments and stakeholders and there is a world to gain. Europe is not really a learning society. Despite the existence of many mechanisms and institutions, committees and meetings at which people can learn from each other, there is not a habit of being interested in best practices

and trying to copy them to save time and money.

Some things have changed since the crisis. A concrete example is the youth guarantee on which we had some conferences specifically geared to presenting best practice on benchmarking and mutual learning. Public employment services are very much involved in this idea of comparing their performances. We have the open method of co-ordination in place in the social and employment fields that could be used on a structural basis. Apart from enhanced surveillance, there is a second strand of action that concerns enhanced solidarity which is to be set in motion through reinforced EU financing instruments, especially the European Structural Funds, the European Social Fund, the Globalisation Adjustment Fund, the fund for European aid for the most deprived and the youth employment initiative. These are the main providers of money.

Proposals to support labour mobility and effective transnational matching between labour supply and demand are being stepped up. We have many unemployed persons in Europe, but we also have more than 2 million vacancies, many of which are unfilled for longer than six months. Skills are not always available where the jobs are. Mobility is important and in that sense, we will try to go live on 1 January with a job mobility portal called Eures, in which public employment services can match vacancies and CVs across Europe.

The Commission also considers establishing an embryonic fiscal capacity linked to deeply integrated co-ordination mechanisms. I refer in particular to the strengthening of co-ordination of policies and reforms through an *ex-ante* mechanism and on the creation of the CCI convergence and competitive instrument that has been indicated in the blueprint, but not received very positively until now by the member states. In the longer term, the CCI should be seen as the precursor for what is mentioned as a euro area budget and fiscal capacity that would provide for EMU level stabilisation tools, such as an EMU unemployment benefit scheme. The emphasis here is on the limits of the current legal framework. We could not do that without a treaty change. The maximum distance we could go is this competitiveness and convergence instrument that would provide a bit of macroeconomic support to countries that are confronted with an asymmetric shock in order to prevent them from going down the whole slope, and give them a kind of solidarity support from the rest of the Union.

The last trend aims better to involve the social partners in the economic governance of the monetary union. We have begun a tradition of consulting the social partners at European level before we issue the annual growth strategy and the joint employment report. There is a need to make more concrete consultation with EU and national social partners at key steps of the decision making process within the European semester and what I might call national semesters. It is still a work in progress. Every year we try to move forward in harmony with other stakeholders in order to strengthen economic governance, especially the social dimension of it. In the longer term, the Commission has put proposals on the table for completing and making monetary union sustainable, and we pursue reflections so that we can learn the thoughts of the member states.

The next steps come at the December summit of the European Council summit of heads of state and governments, where we expect the heads of state and governments to endorse the short-term proposals being made on the scoreboard, and encourage the committees and the Council to do further work on this. We are working closely with the employment committee and social protection committee, but with the scoreboard, we also need to introduce threshold triggers. Nothing of this social dimension will trigger automatically any consequence. It is to understand better what is happening in the social field and *ex ante* to plough this into policy making. Unlike the macroeconomic governance of the six pack and the two pack that may trig-

ger automatic consequences, including fines, this is not the case at the moment for the social element. We are committed to make progress in this area and we want to go forward in close co-operation with all stakeholders on the European and national level.

Chairman, I hope that this was a sufficient introduction to provoke many interesting questions.

Chairman: Thank you very much Mr. Richelle. We are delighted that you have taken the time out of our your schedule to join us today. We think it is a very important initiative by the Commission to proceed with the identification and inclusion of the social indicators. The committee intends to provide the Commission with a political dialogue statement after we have heard from you. We will also be having other meetings with members of Irish non-governmental organisations, such as the Irish National Association of the Unemployed, the European Anti-Poverty Network Ireland, the National Women's Council and our youth groups to talk about how they see these indicators potentially working. After those meetings, we will be providing the Commission with a paper.

I note what you said about sanctions and that there will be thresholds and triggers, but that nothing will trigger any consequences. I think that is unfortunate. There are lessons for the Commission from the Stability and Growth Pact, which had many criteria and benchmarks that were then ignored by various countries across the Union. That was one of the reasons the six pack and the two pack were brought in. It would be good if we saw some sort of assistance in help countries that failed to meet certain thresholds.

You have taken time to arrive at the indicators that are contained in the paper but how set in stone are they at this stage? How possible is it to expand them, especially in the area of social exclusion? There is reference to equal pay rates but what are your thoughts about widening the indicators? We could look at the participation on women on State boards, pay gaps, the impact of the recession on the disability sector and whether they are suffering more than more than most, on other sectors such as the LGBT sector. What about our ethnic communities and the Roma community? Are we looking at any indicators on exclusion by those groups due to the economic crisis? Is there a way that we can feed in some kind of indicators to reflect their experience of the crisis? Perhaps you can comment on that, but first I will ask committee members to contribute at this stage. I call on Deputy Murphy.

Deputy Dara Murphy: I thank Mr. Richelle for coming here today. It is very interesting that we are the first committee to host his group. Focusing on the social or societal element of monetary union is a back to basics issue. We would all have assumed that any actions in European that ultimately benefit society are being taken. If we compare the ECB with the Federal Reserve, the latter has a much stronger remit in areas such as unemployment figures. That is one of the great weaknesses of the ECB, as "The Fed" has to trigger certain actions when unemployment reaches a certain level in the United States.

We are having a debate in Ireland about labour mobility, which I think is very much misunderstood at the moment. Mr. Richelle spoke about a loss of skills and Ireland is a particularly strong example of where the European Union is losing skills to countries like Canada, the US and Australia. About ten years ago, we were a strong net recipient of skills from other parts of the world, but now we are exporting some of our exceptionally well skilled young people. We hope that in a few short years, we will be bringing people back to our country. When people feel they have to leave Ireland, the message is being sold badly in Europe when the suggestion is made that jobs may be available in another jurisdiction. Governments are being accused of

exporting people, almost wilfully saying, “leave the country”. If someone was to move from Cork to Dublin or Clare to Cork or whatever, that is not seen in the same way. It is not much easier for an Irish person or someone from any European country to move to a country with a labour shortage. There are a few areas which must be addressed and have not been, such as how easy it is to move pensions, access to education and schools for children, housing and allowances and social welfare. It is not just about what somebody who moves from Ireland to Europe can maintain, as moving back must also be considered. At present those outside of the Republic of Ireland for a period lose their allowances. This must be made easier for people who want to go and come back. I am interested in hearing the witnesses’ comments on this.

With regard to in-country reviews and macro economic imbalances, the witnesses spoke about growth. We are starting to hear a bit of noise about this at present with regard to the huge surpluses in some European countries. In economic terms it is difficult to argue a large surplus is as bad as a large deficit but it is certainly damaging for the eurozone in total or as a unit. Do the witnesses see the possibility of using the country-specific recommendations to say to countries moving above a 6% or 7% surplus they have a function in the growth of the eurozone in total to achieve many of the targets? Schemes such as the youth guarantee are unquestionably helpful with regard to labour activation, but what Europe needs is growth and it is the surplus countries which can drive growth. The deficit countries are not in the same position to do so.

Senator Kathryn Reilly: I welcome the witnesses. With regard to the reform of the regulation covering EU funds, specifically the EU cohesion policy which delivers investment in times of economic crisis, in recent weeks there has been much deliberation and compromises struck on the macroeconomic conditionality clause. The committee on regional development discussed it a number of weeks ago. The clause on macroeconomic conditionality could trigger the suspension of funds in the event of a macroeconomic imbalance or an excessive budget procedure. Some of the negotiators during one of the processes changed its name to measure linking effectiveness of European structural and investment funds to signed economic governance. The European Parliament has won some leeway on it and is now able to scrutinise the measures much more, such as with regard to ceilings on aid suspensions. The suspension of funds is supposed to be adjusted in line with social and economic circumstances in the member state concerned. How will this happen? How will it be monitored? The co-rapporteurs for the common provisions regulation stated they fought for compromise to make it impossible for this mechanism to ever be applied in practice. Is this true?

The youth guarantee was mentioned and I do not want to go into it in too much detail. With regard to the implementation plan to be submitted by the end of next month how will it be monitored by the Commission? How will it be monitored in terms of social indicators and what it is doing to address unemployment and getting young people into employment, education and training? The payment appropriations for the youth employment initiative have been front-loaded for 2014 and 2015. I read this means all the money allocated for the youth employment initiative will be spent in these two years. If we have not sufficiently addressed the youth unemployment crisis by the end of 2015 what support will be there afterwards?

Mr. Koos Richelle: I thank members for their questions. To answer the Chairman’s question, it is very appealing to introduce many indicators but this makes the matter very complex. A deliberate choice has been made to limit the indicators and those we define as most important. These are only indicators on a scoreboard and to better understand the issue the employment committee and the social protection committee uses existing analysis mechanisms. These are the social protection and employment performance monitors. These give much more detail on

what is wrong. The indicators as such only give the total picture. The performance monitors operated by the two committees show what will happen which makes it possible to make detailed country specific recommendations further down the road.

If there is not enough participation in the labour market one might see, through later analysis, it is specifically a lack of female participation, which is why specific recommendations are made to many countries to promote female labour participation, which may involve increasing child care facilities. Further down the road we get more specific but the more indicators put on the scoreboard the less clear it is when one must act on the main issues to start a policy change. This is the reason for the limitation of indicators and I must confess it was a struggle to include them all.

Unemployment inequalities have been acceptable in the main macroeconomic thinking but there has been a big discussion about gross domestic disposable household income and poverty. A difficulty is that poverty statistics are issued after a delay of two years, and it is very difficult to interpret the exact level of poverty in a household because one must take into account all social benefits and allowances, and most countries with an elaborated system of social allowances have difficulty in seeing the received by a family. Basing a system on primary income from labour does not give a good idea of what is really happening in a family. This set of indicators is just a proposal and must be accepted by the Council. The political debate is on.

Deputy Murphy asked about labour mobility and loss of skills. I use the term “loss of skills” to indicate those who are long-term unemployed may lose their attractiveness for the labour market and may not update their skills. The element the Deputy raised is certainly relevant. Some countries recruit science, technology, engineering, mathematics and mechanics workers from third countries. This means the labour mobility does not function properly in the Internal Market because people with the same skills in other member states may not be hired for jobs and the vacancies are filled by people from third countries. We are focused on labour mobility to ensure the labour potential available in Europe has the maximum chance of being exploited. We see in the framework of globalisation that enterprises move quite easily. Ireland has had experience of big companies coming here first before moving further east because labour is cheaper there. In our Europe 2020 strategy we have pleaded with member states to examine deep and structural reforms of economies linked with globalisation and the aging of populations. These elements have subsided in the crisis, but they are still very relevant. I have always said one of the most discouraging aspects is to hear somebody saying he or she wishes the crisis were over in order that things could pick up where had left off. I always say, “Dream on, honey,” as in the meantime the worlds has changed dramatically and every country must position itself towards globalisation.

We are working on the issue of pensions and I hope next week we will see a compromise from the trialogue taking place between the Parliament, the Council and the Commission. We have made some progress in the past few days, but this must be confirmed in formal meetings of the trialogue. The co-ordination of social security issues has been ongoing for years and it is a standing issue. Famously, there is Regulation 883 which is quite extensive in regard to co-ordination. There is a big difference between social security built on the basis of premiums and social allowances which are non-contributory. These allowances do not fall under the co-ordination of social security and there is proof that in many national legislative frameworks the entitlements to them raise big problems. Some are exportable and some are not and there is no agreement between member states in this area. We have also seen the development of hybrid forms of payments that include a bit of social security and a bit of a social allowance. In these

cases the European court is always inclined to give maximum protection to the individual and consider everything to be social security. There is much better regulation and co-ordination in social security than in the case of social assistance which is considered to be linked with the fiscal domain of every national government.

Recently there have been many debates concerning welfare tourism, with inactive people moving to other countries because they prefer the health system or the allowances they can get in these countries. We are producing facts and figures demonstrating that this is a negligible burden for state budgets currently. We will keep a close eye on the matter as in some countries it is a political balloon and presented as a major problem. We have not been able to detect the problem, but we have asked the member states concerned to give us information or photos for the problem areas in order that we could detect them. Unfortunately or, perhaps, fortunately we did not get much of a response in that regard.

For a number of years we have made country-specific recommendations. For example, in one country with a surplus - Germany - there is the issue of in-work poverty. There is a system of mini-jobs in that country which sometimes do not provide enough money for people to survive on, particularly if it takes a long time to get out of that job and into a normally paid job.

Chairman: We are not familiar with the term “mini-job”. Does it refer to part-time work?

Mr. Koos Richelle: It would be a job with limited working hours paying €400 per month and neither the employer nor the employee has to pay taxes and social security on it, although they would still be insured. It has worked out in Germany for the likes of women who are seeking to work 15 hours per week or students, but there are also people outside these categories who have had to survive in these jobs and sometimes cannot get out of a mini-job. Sometimes the hours would be longer than for a part-time equivalent, which causes some problems.

We have addressed the issues of in-work poverty in all countries, including those which have a surplus. Germany has been identified in the framework of the alert mechanism report as a country that will have an in-depth review, as the trade surplus represents an imbalance for the future. It is not to emphasise Germany’s role towards the rest of Europe but rather an imbalance for the country. If there is a surplus, it is not being used for other purposes. One can discuss the likes of minimum wage levels in this respect.

Senator Kathryn Reilly has asked about issues still under negotiation, but we hope they will be concluded this week. They include the common provision regulation, in particular, and the application of macroeconomic conditionality. In setting up Structural Funds for the years 2014 to 2020 the Commission has made the proposal that these funds should be used in line with recommendations made by the European Council which establishes recommendations in order to ensure these European funds serve the better functioning of monetary union as a whole. Member states have tried very hard to loosen the conditionality link a little and part of our proposals was macroeconomic conditionality if a country was in a position where there was an imbalance. In a gradation of steps, there would be a limitation on the freedom of use of Structural Funds. One of the issues concerning macroeconomic conditionality is that a state not have a serious imbalance. Everybody seems to run to the ultimate scenario of the Commission taking over responsibility for the spending of Structural Funds in such a country, but that position would only be reached after years of negotiations and nobody wants to go in that direction. The idea is for us to be more preventive in our work on the issue. There has been a discussion about terms and it seems there will be an exchange of one term - “persistent equilibrium” - for another that has not yet been agreed that might do the trick, leading to a certain definition of macroeconomic

conditionalities.

The monitoring of the youth guarantee will be done as closely as possible to the source and we are in discussions with member states in order that they put in place their own monitoring mechanisms on the basis of a generally accepted model. These negotiations are ongoing. There will be quite a challenge and there will be a limitation in the next two years for two reasons. The front-loading is to help as quickly as possible and there is also the idea that we are working for growth and the only way to have structural new jobs is to promote growth. The youth guarantee can help young people to get work experience or further training, but it will not create jobs.

It would be dramatic after two years if the growth rate did not pick up, as then we might return to the fact that young people would have profited from a youth guarantee for a number of months, that they would have received training or temporary work experience, before falling back to the army of the unemployed. That outcome cannot be excluded if there is not enough growth.

We are working to provide help in the short term through the youth guarantee and to create a healthy macroeconomic environment in the longer term. A sum of €6 billion has been established as an extra possibility. Member states can also use the European Social Fund that will be available until 2020 to add more money. It has been agreed by the European Council that eventually in the years to come if there are leftovers in other parts of the budget, the sum of €6 billion can be beefed up to €8 billion. That increase will depend on leftovers in others parts of the budget. At the same time we are working on short-term and longer term solutions.

Chairman: I thank Mr. Richelle.

Deputy Bernard J. Durkan: I thank Mr. Richelle for attending and giving us the benefit of his time and experience. To what extent has he identified the most commonly recognised factors that create inequality throughout the European Union? To what extent does the Commission recognise these factors? To what extent has there been an indication given of the means by which they can be addressed?

Growth has been mentioned quite a few times. It is inextricably linked with social issues. What is the most prominent emerging feature that the Commission has encouraged in order to allow growth to take place, having regard to the fact that we all must stay within certain expenditure limits at this time?

Mr. Richelle has rightly mentioned solidarity and cohesion on a number of occasions. How do they manifest themselves throughout the member states of the European Union, inside and outside the eurozone? To what degree has the Commission identified areas in which there is not the optimum level of solidarity and cohesion? Have performances of individual member states been rated in terms of how they have addressed unemployment, inequality and economic performance, having regard to past experiences and the causes of our difficulties?

My last point is on the youth guarantee, critics of which will say it is insignificant, but I disagree. It has the potential to make a major impact on the level of youth unemployment across Europe. To what extent does the Commission monitor issues in each member state? I want the delegation to refer in particular to the member states which have, like Ireland, been in a rescue programme. Ireland will be in such a programme for another couple of weeks. I want the delegation to recognise that it has a particularly difficult job to do.

I get irritated, as I am sure the Chairman does, when I hear reference being made on a regular basis to the preferential corporation profits tax regime in this country. In some quarters in the European Union there seems to be a belief Ireland has achieved a particular advantage in a way no other country has done. That is not true. To what extent does the Commission recognise this? It is very important that the Commission and each Commissioner recognise the importance of this matter. Ireland has tried to work its way out of a very difficult situation and the people have made a major contribution to achieving this objective. Across the board taxes have been raised, incomes have been reduced, the public sector has shrank and all this has been done at great cost to ourselves. This, in turn, has created unemployment and a degree of inequality. I would like to think the commentary will recognise this effort at all times. Commentary in one part of the Union is viewed in a different light in another. For example, we do not all have the same access to the facilities and services available at the centre of some organisations. As Ireland is not joined by land, it incurs an extra cost for transport. It shares a language with its next-door neighbour, which is helpful, particularly from the point of view of direct foreign investment. This should not be undermined by something that appears to create a level playing field but which instead creates greater inequality.

I wish to make a final observation on creating equality in Ireland, particularly in terms of housing in the region in which I reside. In the east of the country, when a person is unable to obtain a home, he or she will, as a consequence, be unable to find employment without losing benefits. Mr. Richelle has referred to the matter and is right. The Chairman will be glad to know that I will not continue on that matter. However, I look forward to having an opportunity to debate these issues with anybody anywhere and until such time as the European Union and individual member states recognise that these issues will have a major impact on our economic and social performance.

Deputy Timmy Dooley: I welcome Mr. Richelle and Mr. Claridge and thank them for their presentation. For many years I have been a member of the committee and had an interest in European affairs. For as long as I can remember we have talked about jobs and growth. They have been priorities for many Presidencies and are usually contained, either in the super text or subtext, in the priorities outlined at the beginning of each Presidency. Notwithstanding the various strategies developed and the various programmes and initiatives put in place, the financial crisis still bedevils us. Sometimes we tend to talk about jobs and growth in isolation, but I do not suggest this was always the case. We tend to believe jobs and growth are disconnected from the economic model, the single currency and the overall economic and political agenda. We look at the issue from a high level and develop macro strategies, but I am not sure such a view has the desired effect of spurring growth leading to job creation. In the first instance, one must protect and retain what one has because advances take place and some technologies become outdated. Therefore, the first thing one must do is replace such systems as they become redundant and the next obvious step is to find new advances. To that end, a practical approach has not been taken to entrepreneurship. We have various framework programmes that seek to provide assistance for entrepreneurs, but I am not sure there is enough of a connection with entrepreneurs and small and medium-sized enterprises. The director general will know better than I do that the bulk of people employed across Europe work in small to medium enterprises. I do not think we give enough support to the micro sector.

Let us look at the regulatory burden placed on some entrepreneurs when starting out. Many of them want to plan their path to success, but if they have to prepare a business case or develop a plan, they will not start at all. Fortunately, some entrepreneurs fail to see the barriers and often avoid and ignore regulations for a while. It is unfortunate that entrepreneurs must do so.

We must create a culture that allows a business to develop its roots and then subject it to the rigours of the regulatory regime, the costs involved and various demands made of them. If we are serious about encouraging job creation and growth, we must start at the beginning with the micro sector by assisting it to overcome those hurdles which are necessarily in place for larger enterprises or when a business is up and running. The overall macro strategies are fantastic, elaborating on issues such as the movement of labour. That is all good and important, but we must focus on small and medium-sized enterprises and determine what it takes for businesses to get started. We must determine whether we need stronger policies on incubation at national level which are driven from a European perspective.

Mr. Koos Richelle: These are not the easiest of questions to answer and they are also highly political. I will try to limit myself to the technical and explanatory issues rather than the politics.

On equality, in this framework of macroeconomic governance in the European semester we have introduced inequality to the scoreboard by comparing the lowest quintile with the other quintiles. From this, we see that inequality has grown throughout Europe, in all countries, during the crisis. There is no exception to this. Inequality is not only discussed within the European semester. In a lot of areas served by the Commission we issue communications, statistics and draw attention to the issue. We have referred to the numbers of women on boards of companies, for example, and also to the position of the Roma community, the biggest minority group in the world. There is huge potential within that community in the context of the labour market, but there is inequality all over the place. We try to address various inequalities in a specific way. Within this European semester, as I said, we do it mainly through the GINI coefficients and comparing the lowest quintile with the upper quintiles.

We communicate in different ways, which also means that we have different means to address the issue. There are various means available to pursue a number of policy targets. In the social field the main means is the European Social Fund, ESF, which is, essentially, the European employment fund. We call it a social fund, but it serves to keep people in employment or guide them to it. For the first time, each country has been advised to use at least 20% of its ESF allocation for social integration activities. The funds are to be used to address people who are further away from the labour market and need specific attention. We now have a European instrument for aid for the most deprived, which is the successor to food aid. We can also give material and immaterial assistance to people who are on the margins of society. There are specific means devoted to these areas. Slowly, we are moving beyond the employment field into the realm of the social issues underlying unemployment. These are examples of how we address inequality. Each and every member state has an important role to play. We have asked those member states which have large Roma populations to develop a Roma integration strategy which should outline how they intend to address the question of integration, including spending some of their own resources.

We do not have a short list of critical factors for growth. The handbook for growth is not available. General economic knowledge, good public administration, a good banking system, transparency and other factors all play a role. There is no list of critical factors other than what comes out of economic science. There is no handbook in this respect.

Deputy Bernard J. Durkan: Does that not illustrate a weakness? Surely it should be possible to identify a lack of growth or at least those areas most affected by the lack of growth and the contributory factors.

Mr. Koos Richelle: I agree with the Deputy, but I do not know whose weakness it is. I do not want to engage in a game of ping pong about who is responsible, but the way we have built Europe means that there is little power at European level to promote growth and a lot depends on the position of individual member states. That is why we issued the Europe 2020 strategy document and asked member states to have that discussion about positioning themselves within the framework of globalisation and demographic change. Each country must define its factors for success in that regard. At a European level, there is too much divergence between the member states to allow for the drawing up of one solid list of growth factors. Through this European semester and macroeconomic governance, we have identified the minimum budgetary disequilibrium, for instance, which would be a cause for concern. Imbalances of an unsustainable nature are also being addressed in debt reviews. We try to get country-specific information and then to come up with recommendations to remedy the situation.

We do not rate the performance of individual countries, but there is a big appreciation for what Ireland has done. That has been expressed publicly and repeatedly. The fact that a country in difficulty has, by its own decisions, albeit with some help from the European Union, come out of a programme is commendable. Now we go back to the normal channels, but the Commission will continue to examine what is going on here and try in the framework of the European semester and on the basis of a thorough analysis to hold up a mirror to Ireland, as it does to all other member states, and ask if its policies are appropriate. The fact that the country has come out of a programme is a sign of real progress. We expect the financial markets to trust in Ireland again in order that it can take its own decisions on the course to be followed.

I agree that housing is a problematic issue. To a certain extent, the European Regional Development Fund could be of assistance in this area, depending on the specifics of a housing programme. We are trying in this new programming period not to disburse the funds separately. Instead of countries applying for funds from either the agricultural development fund, the maritime development fund, the Social Fund, the Cohesion fund or the Regional Development Fund, we are encouraging member states to come up with proposals for integrated territorial development, including infrastructure. That could include, under certain conditions, housing. Much depends on the willingness of each member state to do this. Each fund is normally registered and administered by a separate ministry and if they want to play the game with their own directorate general in the European Commission, this integrated territorial development will not happen automatically. It starts with an integrated approach in the member states which will receive an integrated answer from us. We are discussing these issues with each member state.

On the question of job creation, there is no easy answer. One thing is clear, however - governments do not create jobs. Job creation is a matter for the private sector and what governments are supposed to do is to create a conducive environment. There is a lot involved, including the quality of public administration. In fact, during the crisis we have looked more closely at the quality of public administration in member states and sometimes we have been appalled by the lack of *savoir faire* or knowledge about how to do things, the lack of speed in decision making, the lack of co-ordination in coming to conclusions on interrelated issues and so forth. These issues are significant.

The provision of credit is very important. It is remarkable that providing credit is, apparently, not seen as a hobby of the banks. The banking system is not yet sound throughout Europe. It is more or less common knowledge - one reads it in academia and the newspapers - that the system went wrong in the first place because there was not enough supervision of the banks. While governments did not create the crisis, perhaps it is true that the supervision of the

financial system was too lax and not detailed enough. Not everyone has learned from the crisis. Some banks still have big problems. If they do not solve their problems, it will be difficult for them to assist in correcting the credit position of the real economy. There is some hesitation. Apparently, the discussion about indebtedness has created a fear of providing credit.

Good and smart regulation is an issue. We should not come to conclusions too quickly. We have announced a refit programme of regulatory fitness. The Commission has introduced a list of things to abolish, withdraw and evaluate. We will continue to do this in the coming years. For instance, there is an inclination to say the whole area of occupational health and safety is too much for small enterprises. It is worth noting, however, that 60% of work-related accidents, including lethal accidents, occur in small and medium-sized enterprises. Such businesses cannot be excluded totally from the refit programme. Other things can be done. I refer to smart assessment, for example. Some years ago the Netherlands introduced a website that allowed new starters to fill in a form electronically and quickly see what parts of legislation were relevant to them. Unfortunately, this has not been copied in other countries where very cumbersome administrative procedures have to be followed. There are also possibilities in terms of gold-plating. Much of the legislation we consider is introduced by means of directives that have to be transposed into national legislation. We see a great deal of gold-plating in such cases. We are evaluating the entire body of occupational health and safety regulations and the report will become available in 2015. It may lead to simplification in this area. I have mentioned one of the areas under my direct responsibility. Reconsideration of legislation is also ongoing in other areas. This issue must be considered at national level, as well as at European level.

Chairman: I thank Mr. Richelle for attending and sharing his thoughts with us. His useful contribution will help us during our deliberations on this proposal and form part of our contribution to the Commission.

The joint committee adjourned at 1.15 p.m. until 2 p.m. on Thursday, 21 November 2013.