

# The European Semester: what role in steering housing policies?

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## Introduction

The "European Semester" (ES) is a multiannual exchange between the European Commission and Member States to achieve the Europe 2020 targets, as well as the objectives set out in the Stability and Growth Pact. Each year, the European Commission (EC) analyses in detail EU Member States' economic and structural reforms programmes and provides them with a set of recommendations for the following 12 months. During this time, EU Member States are supposed to align their budgetary and economic policies with the objectives and rules agreed at EU level, within the targets previously mentioned.

The European Semester is fast becoming one of the key tools influencing policy-making in all EU Member States, including with regards to housing markets, taxation, and the capacity of Member States to spend on social security and public services.

This article is Housing Europe's contribution to the Housing Partnership of the Urban Agenda for the EU. It is based on Housing Europe's on-line guide 'European Semester Toolkit' which is available to its members. It illustrates the main steps in the European Semester and explains how the process is relevant to the work of policymakers and practitioners in the housing field. It includes updated links to all relevant documents within the Semester and excerpts of key documents/reports which focus on housing conditions, housing markets and/or housing policies. The conclusions point to shortfalls which could be addressed to turn the Semester into a more useful tool with the potential of steering policies towards the provision of affordable housing.

## 1 The main steps in the European Semester

The European Semester yearly cycle includes the following main steps and elements:

### 1.1 The 'Autumn package'

**When:** November

**Focus:** EU

**Prepared by:** the European Commission

The autumn package kicks off the annual cycle of economic governance coordination. The 'package' includes:

**Annual Growth Survey (AGS):** it sets out the general economic priorities for the EU and offers EU governments policy guidance for the following year.

**Alert Mechanism Report (AMR):** this is a screening device, based on a scoreboard of indicators, which identifies countries that may be affected by economic imbalances and for which the Commission will undertake further in-depth reviews.

**Joint Employment Report and Employment Guidelines:** the report analyses the employment and social situation in Europe and the policy responses of national governments; the guidelines present common priorities and targets for the national employment policies.

For the countries of the Euro area, the package also includes **Recommendations for the Euro area** and the **Commission opinion on draft budget plans** for Eurozone countries

All the documents in the Autumn package can be found at [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-timeline/setting-priorities\\_en](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-timeline/setting-priorities_en)

## 1.2 Country Reports

**When:** February

**Focus:** national

**Prepared by:** European Commission

The Commission issues Country Reports containing **detailed national analysis**. These Reports assess the progress of each Member State in addressing the issues identified in the previous CSRs. The release of Country Reports in February aims at providing the basis for dialogue with Member States in bilateral meetings and feeding into the preparation of National Reform Programmes (as well as Stability / Convergence Programmes), to be submitted by Member States in mid-April. Country reports include also in-depth reviews (only for countries selected in the Alert Mechanism Report), assessing whether imbalances or excessive imbalances exist in the country.

The country reports can be found at [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-timeline/analysis-phase\\_en](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-timeline/analysis-phase_en)

## 1.3 National Reform Programmes (NRPs) and Stability / Convergence Programmes

**When:** April

**Focus:** national

**Prepared by:** Member States

These are **yearly reports prepared by the Member States**, describing the implementation of the five overarching EU targets to be reached by 2020, translated into national targets, and

taking into account the priorities set by the Annual Growth Survey. Increasingly, the main requirement for these reports is to show how the Commission's Country-Specific Recommendations (CSRs) are being delivered, and to respond to the Commission's assessment of their implementation.

Stability Programmes are submitted by Euro area Member States, while Convergence Programmes are submitted by non-Euro zone – at the same time as the NRPs. Their main aim is to enable the Commission to **assess whether Member States are keeping to the budget rules** set by the EU.

All documents to be found at [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-timeline/national-reform-programmes-and-stability-convergence-programmes\\_en](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-timeline/national-reform-programmes-and-stability-convergence-programmes_en)

#### **1.4 Country Specific Recommendations (CSRs)**

**When:** May (Discussed and adopted by the Council in June)

**Focus:** national

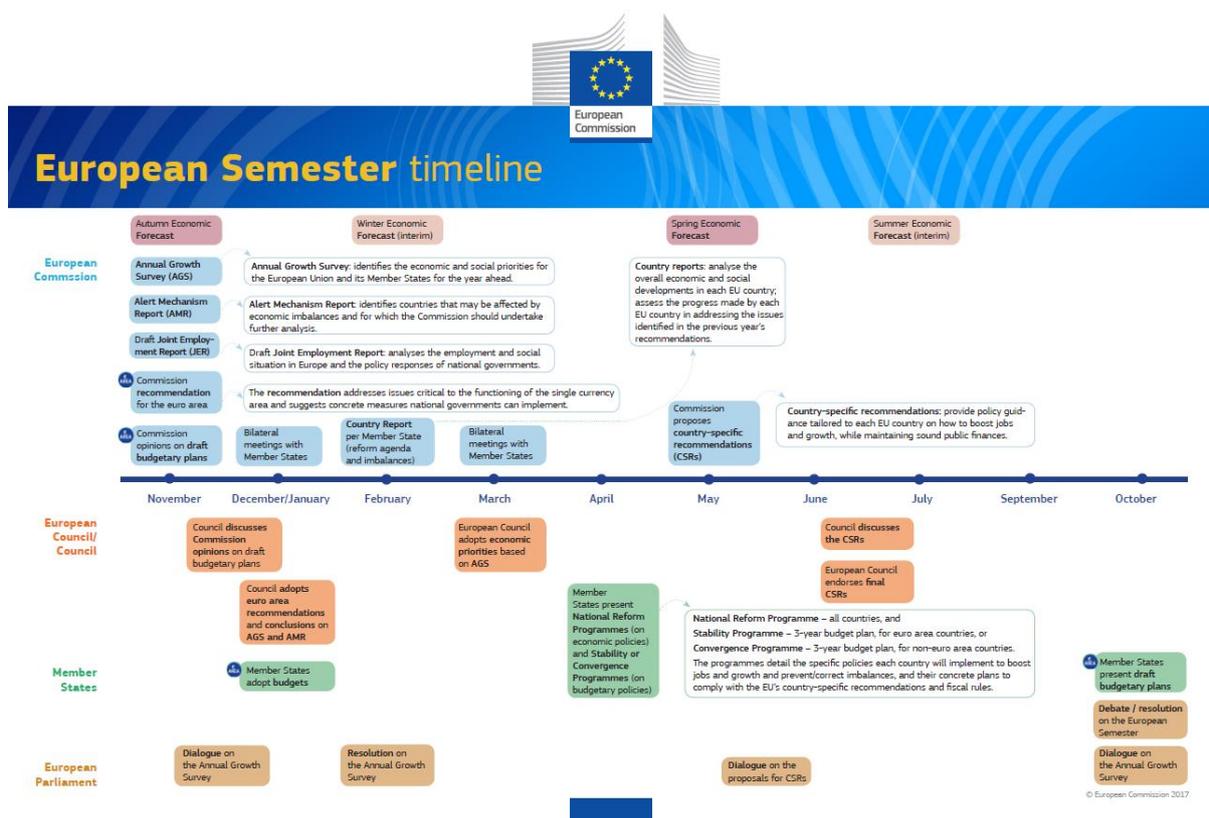
**Prepared by:** European Commission

These are the recommendations made by the Commission for each country, based on a review of each Member State's economic and social performance in the previous year, and how far they are delivering on the EU-wide priorities set out in the Annual Growth Survey. They are drafted after assessing progress since the previous year's CSRs, and the commitments stated by the member states in the National Reform Programmes and Stability or Convergence Programmes.

Country Specific Recommendations can be found here [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-timeline/eu-country-specific-recommendations\\_en](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-timeline/eu-country-specific-recommendations_en)

#### **1.5**

After the end of the yearly European Semester, national governments incorporate the recommendations into their reform plans and national budgets for the following year. For Eurozone countries, budget monitoring intensifies in the autumn, with a close monitoring of the budget plans for the following year by the EC.



(Source: [https://ec.europa.eu/info/sites/info/files/2018-european-semester-timeline\\_en.pdf](https://ec.europa.eu/info/sites/info/files/2018-european-semester-timeline_en.pdf))

## 2 What does it have to do with housing?

Housing is an issue coming up more and more frequently in all of the main components of the Semester, and this is why we believe it's important to engage with this process both at European and national level.

### 2.1 The Autumn Package

First of all, over the years housing has been increasingly referred to in the **Annual Growth Survey**. The AGS 2018 stress the broad economic context and set out some broad priorities for Member States. It for instance states:

*“Services such as childcare, out-of-school care, education, training, housing, health services and long-term care are essential for ensuring equal opportunities for all. Adequate social housing and other housing assistance are also essential.”*

Most importantly, the **Alert Mechanism Report** with its set of indicators looks at, among other data:

- **House prices increase** - rapid real house prices increases are considered to be a signal that real estate bubbles are forming. The specific indicator used is **% y-o-y change** in Deflated House Price Index, with a threshold of 6%.
- **Private debt** – excessive private debt compared to GDP is a sign of economic fragility, whereby mortgage indebtedness is usually the main component of households' private debt in Europe. The indicator used is Private Sector Debt as % of GDP (consolidated), with a threshold of 133%.
- As well as **General Government Sector Debt** as % of GDP, with threshold 60%. Although this is not strictly related to housing, imbalances found in respect to this indicator can result into recommendations to limit public expenditure, including for instance on housing benefits.

This is reflected in the content of the Alert Mechanism Report, pointing at macroeconomic imbalances and potential threats. The AMR 2018 (using data from 2016), says that:

*“House prices are accelerating in most Member States. Valuations are generally still below peak levels after the downward post-crisis adjustment, but in some cases, available indicators point to overvaluation. Pockets of possible overheating are present and price dynamics are accelerating in a growing number of countries. Accelerations in household credit are also becoming broad-based”*.

In other words, 10 countries are beyond the alert 6% threshold for house prices increase (against 6 in 2015 and 5 in 2014): Bulgaria, Czech Republic, Ireland, Latvia, Hungary, Austria, Portugal, Romania, Slovakia, and Sweden. On top of that, 3 countries are between 5% and 6% increase in real house prices: the United Kingdom, Germany and Luxembourg.

All this points out at booming housing markets, which is not only an issue in terms of economic stability but also a cause of worsening affordability. Indeed, this is reflected in the findings of the **Joint employment and social report**, also published in November 2017 as part of the 'Autumn package':

*“Housing-related expenditure accounted for a significant share of household disposable income in a number of Member States. The housing cost overburden rate was the highest in Greece with 40.5% of the population living in a household where the total housing costs (net of housing allowances) represent more than 40% of the total disposable household income. This was considerably higher than in any other EU Member States, as Bulgaria at around 20% and Romania, Germany and Denmark at around 15% had the next-highest ratios”*.

> For a commentary on how housing issues feature in this year's Autumn Package, see Housing Europe's article **'European Commission Annual Growth Survey confirms 'State of**

*Housing' report'* available at <http://www.housingeurope.eu/resource-1042/european-commission-annual-growth-survey-confirms-state-of-housing-report>

## 2.2 The analysis and recommendations at national level

Furthermore, also in the **Country Reports** prepared by the EC in 2018, you can find a detailed analysis of the housing market from the EC perspective in a number of countries. It's actually worth noticing that the analysis of housing markets in the country reports has become more and more sophisticated throughout the years, and we also see an increasing insight into the social consequences of inadequate housing policies, in terms of housing exclusion and homelessness.

> For a commentary on the 2018 Country Reports, see Housing Europe's article 'European Commission releases Country Reports. A first step in 'the most social European Semester ever?'' available at <http://www.housingeurope.eu/resource-1087/european-commission-releases-country-reports>

This analysis is, in turn, should be reflected in the content of the **Country Specific Recommendations (CSRs)**. However, little of this analysis, in the end, is actually translated into recommendations. A number of countries have received recommendations concerning housing since the start of the first European Semester in 2011. In 2017, recommendations to implement housing market reforms were only addressed to four countries - which already received similar recommendations in the past, namely Ireland, The Netherlands, Sweden and the UK. In the appendix tables to the 2018 Country reports, the Commission already outlines briefly to what extent member states have progressed in each area of the recommendations.

> For an analysis of the latest available CSRs from a housing perspective, see the article 'Country-Specific Recommendations and Housing. A Housing Europe Analysis' available at <http://www.housingeurope.eu/resource-953/country-specific-recommendations-and-housing>

## 2.3 A more social European Semester?

2017 marked the proclamation of the European Pillar of Social Rights, which has the ambition to serve as a guide towards efficient employment and social outcomes and **includes access to social housing as a key social right**. More in detail, the Commission recognises the importance of:

- Access to social housing or housing assistance of good quality shall be provided for those in need.
- Vulnerable people having the right to appropriate assistance and protection against forced eviction.

- Adequate shelter and services shall be provided to the homeless in order to promote their social inclusion

The European Commission has announced its will to strongly integrate the Pillar within the European Semester process. Therefore the 2018 Annual Growth Survey reminds that “the principles and objectives of the European Pillar of Social Rights will serve as a point of reference for the further implementation of the European Semester of policy coordination. The Commission will take this work forward in the analysis that will be included in the forthcoming country reports and the preparation of the country-specific recommendations in the 2018 European Semester cycle.”

The European Pillar of Social Rights is accompanied by a [‘social scoreboard’](#) which will monitor the implementation of the Pillar by tracking trends and performances across EU countries in 12 areas and will feed into the European Semester of economic policy coordination. However, for the time being, the social scoreboard headline indicators do not include information on housing conditions nor housing affordability. This is rather disappointing as it means for the time being there is no way for the Commission to follow whether Member States are making progress on promoting access to affordable and social housing advocated by the Pillar.

### 3. Conclusions

Housing Europe has been calling for the inclusion of one or more indicators on housing affordability within the social scoreboard (such as for instance the rate of housing cost overburden among people at risk of poverty, or/in combination with the share of households whose income falls below the poverty line after paying for housing costs – both available from Eurostat SILC database).

Although indicators currently available from Eurostat are far from perfect, as highlighted by academics<sup>1</sup>, as well as other stakeholders and policymakers<sup>2</sup>, they would represent a significant step forward and can be further integrated in the analysis with information from the national level (not necessarily harmonized across countries). This would give a more solid basis to the European Commission to come up with arguments and recommendations, which for the time being reflect mainly concern with market/macroeconomic stability.

More broadly, Housing Europe has joined a number of other NGOs<sup>3</sup> in calling for more transparency and a stronger participation of civil society actors and other stakeholders (more specifically in our case housing providers and those working in housing at different levels of administration) into the Semester process.

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<sup>1</sup> See for instance Caroline Dewilde (2015) What Have ECHP and EU-SILC to Contribute to the Comparative Study of Housing? Critical Housing Analysis, Volume 2 | Issue 2 | 2015 | 19-26, and Marietta E.A. Haffner (2015) EU-SILC: Should We Make Do with What We Have?, Critical Housing Analysis, Volume 2 | Issue 2 | 2015 | 27-34

<sup>2</sup> For instance during recent discussion within the Housing Partnership at the meeting in Lisbon in March 2018.

<sup>3</sup> See <https://semesteralliance.net/>