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COVER NOTE

from: The Social Protection Committee
to: Permanent Representatives Committee (Part I) / Council (EPSCO)
Subject: Social Europe: aiming for inclusive growth
2014 Annual report of the SPC on the Social situation in the EU
- Endorsement of key messages

Delegations will find attached the key messages from the above-mentioned annual report for endorsement by the Council (EPSCO) on 9 March 2015.

The full report can be found in doc. 6194/15 ADD 1 (the Country profiles will be circulated in other addenda).



Social Europe: aiming for inclusive growth

2014 Annual report of the Social Protection Committee on the social situation in the European Union

Key messages

1. Although the EU has resumed economic growth, the recovery remains subdued and recent GDP forecasts for the EU have been revised down. Despite the weak macroeconomic background, employment has shown a small but consistent growth in the EU since mid-2013 and in the large majority of EU Member States (although this is yet to be fully reflected in all social indicators), and this has led to a slight easing in the pressure on social protection systems in many Member States. Nevertheless, labour market and social conditions remain extremely challenging.
2. Long-term unemployment and low employment opportunities for youth (15-24) and young adults aged 25-39 are some of the major challenges in the EU labour market. At the same time, poverty and social exclusion have risen over recent years in most Member States, affecting particularly the working age population and, by extension, children. Although some of these challenges may have recently eased slightly, they remain substantial and need to be tackled urgently.
3. This year's results of the Social Protection Performance Monitor, as outlined in the 2014 SPC Annual report on the social situation in the EU, show the situation to have stabilised at EU level, although there continue to be disparities across Member States and a worsening situation in some. Compared to the results from last year's edition, there is a more mixed picture across the EU with the following social trends to watch for the latest period being identified in around a third or more of all Member States:

- increases in the risk of poverty and especially its depth for the overall population;
- continued rise in the share of the population in (quasi-) jobless households;
- increasing housing cost overburden rate;
- declines in real gross household disposable income;
- increase in the share of the working poor.

4. These social trends to watch are partly balanced by positive developments in the labour market participation of older workers and the further reduction in the rate of early school leavers. Owing to the structural stabilising role of social protection, and pensions in particular, the income and living conditions situation of the elderly continues to improve relative to the rest of the population.
5. The EU is still not making any progress towards achieving its Europe 2020 poverty and social exclusion target of lifting at least 20 million people from poverty and social exclusion by 2020. In 2013 there were 4.8 million more people living in poverty or social exclusion in the EU28 as compared to 2008, i.e. a total of 122.6 million or close to 1 in 4 Europeans. Even though 11 Member States registered statistically significant falls in poverty and social exclusion in 2013, around 1/3 still saw significant rises. Furthermore, national targets continue to vary in their ambition and do not add to the EU collective headline target.
6. Based on the thematic reviews which the SPC undertook on the 2013 social trends to watch – youth exclusion, long-term exclusion from the labour markets, and depth of poverty, the following main policy conclusions are to be considered:
 - a. In the context of high and persistent unemployment among young people and the related risks of youth exclusion, social protection systems have an important role to play in supporting labour market integration and helping young people to bridge difficult periods of transition from education and training to work and employment of progressively higher quality. The in-depth review made clear that further exchange on the efficiency and effectiveness of the different approaches is needed.

- b. The long-term unemployed form a heterogeneous group with specific and different obstacles such as health concerns, difficulty in reconciling work and family life, social problems, or lack of skills. Alongside labour supply measures, understanding the profile of the target population is crucial to effectively implement policies and support their sustainable re-integration into the labour market. Measures need to take a comprehensive approach, tailored around individual needs in order to be effective, including targeted activation, adequate income support and enabling services.
 - c. Drivers behind severe poverty and social exclusion are multiple. They can vary across an individual's life-cycle and are closely related to the wider economic and labour market context. Comprehensive, needs-driven, preventive and individualised approaches can contribute to avoiding and alleviating poverty and social exclusion in an effective and sustainable manner. Social investments are part and parcel of such approaches by targeting specific needs arising across the life-cycle, ensuring adequate income support and providing access to quality enabling services, supporting individuals in critical transitions.
7. The EU social market economy needs to be strengthened. The emphasis needs to shift from short-term measures to structural reforms in order to spur economic growth and social cohesion, raise employment and tackle in-work poverty, improve the effectiveness and efficiency of social protection and guarantee adequate levels of social protection and living standards and access to quality enabling services.
8. Social policies alone cannot deliver on the Europe 2020 poverty and social exclusion target and the inclusive growth agenda. Reaching this objective can only be a result of an integrated and coherent approach towards the economic, employment and social objectives of the Union.

9. As the economy picks up, policies should focus on ensuring that improving the social situation across the Union becomes a shared priority. Structural reforms need to take into account social and employment concerns. Reforms, particularly major ones, should be subject to social impact assessments to minimise adverse social effects. Where reforms entail trade-offs, the cost of reform should be fairly distributed across society and income groups, and those at greater risk of poverty and social exclusion should not bear the brunt of economic adjustment.
10. In the short and medium term, improvements in the social situation should come from more jobs, particularly for young people and from reduced poverty and social exclusion. To achieve this, growth, structural reforms and social investments are needed. Wage and tax policies should allow earnings and in-work benefits to lift people out of poverty and ensure adequate levels of social protection. Investing in children and in young people should be a political priority given the long-term gains stemming from their higher human capital and well-being, labour market participation and productivity.
11. In the long-run, the Union needs to prepare itself to address demographic imbalances that will asymmetrically affect the growth potential of Member States, shifting social risks between generations and along the life-course, and growing inequalities that weaken cohesion and hold back upward mobility and growth.