



Council of the  
European Union

077329/EU XXVI. GP  
Eingelangt am 08/10/19

Brussels, 8 October 2019  
(OR. en)

12590/19

SOC 640  
EMPL 484  
ECOFIN 841  
EDUC 393

**NOTE**

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From: The Social Protection Committee  
To: Permanent Representatives Committee/Council

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Subject: Key Social Challenges: Key messages from the SPC based on the Annual Review of the Social Protection Performance Monitor  
- Endorsement

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Delegations will find the key messages based on the Annual Review of the Social Protection Performance Monitor and developments in social protection policies, as finalised by the Social Protection Committee on 20 September 2019, with a view to their endorsement by the Council (EPSCO) on 24 October 2019.

The full Report can be found in doc. 12590/19 ADD 1.

The Social Protection Performance Monitor (SPPM) Country Profiles annexed to this report are contained in doc. 12590/19 ADD 2-3.

## Key messages

- 1. Delivering on its mandate as per article 160 of the TFEU the Social Protection Committee (SPC) has produced for the Council its annual review of the social situation in the EU and the policy developments in the Member States,** based on the most recent data and information available. On this basis, the SPC highlights the following findings and common priorities, which should guide the preparatory work for the 2020 Annual Growth Survey.
- 2. The EU continues to experience economic growth and recently achieved record employment levels,** with over 240 million people in work. The Social Protection Performance Monitor (SPPM) points to **continued, and now more pronounced and widespread, improvement in the social situation,** also reflecting the positive impact of EU and Member State policies over the last years.
- 3. More than 5 million people have exited from the risk of poverty or social exclusion (AROPE) in 2017.** All three dimensions of the AROPE indicator have improved: significant progress has been made in recent years on reducing the prevalence of severe material deprivation and of (quasi-) jobless households and for the first time since the crisis, a noticeable drop in the population at risk of poverty took place in 2017. Recent improvements have also translated into a decrease in the depth of poverty, and - for the first time since the crisis hit in 2008 - into a slight decline in income inequality.
- 4. Household incomes have increased in almost all Member States,** reflecting further increases in the employment rate, in particular among older workers, as well as further reductions in long-term unemployment. This has led to greater income growth among the working age population.

5. **Despite the recent positive developments, the Europe 2020 target of lifting 20 million people out of the risk of poverty or social exclusion remains unlikely to be met.** Poverty and social exclusion rates remain a challenge across the EU, especially for children and young adults, as well as for persons with disabilities, ethnic minorities and migrants, who also face more challenges in accessing education, social services and the labour market. Disparities persist between the Member States, with some countries still registering higher shares of people at risk of poverty or social exclusion compared to 2008.
6. **While developments are mainly positive, some negative trends are observed for the most recent period.** Close to a third of Member States show a significant deterioration in the at-risk-of-poverty rates for people living in (quasi-)jobless households, pointing to remaining gaps in the effectiveness of social benefits in reducing the risk of poverty, especially among particularly vulnerable households. The increasing incomes of the working age population have led to a rebalancing of the income distribution and a decline in the relative income of older people, who were relatively well protected during the crisis.
7. **In a longer-term perspective, few Member States show improvement in the indicators relating to the distribution of income** (i.e. in inequality and relative income poverty) compared to 2008. Increases in income inequality accelerated in many Member States during the crisis, and have only partly begun to reverse, with a lag compared to other employment and social indicators. This points to the need for a stronger policy focus on correcting distributional effects. Other areas where indicators show a noticeably worse situation in many Member States include an increased poverty risk for people living in (quasi-)jobless households, and deterioration in the depth of poverty and to a lesser extent in the level of in-work poverty. Related to this has been a declining impact of social transfers on poverty reduction in some Member States, signifying possible gaps in the adequacy of social benefits.

8. **The need to strengthen the inclusiveness of the economic recovery remains an important concern.** Social investment remains essential and reform efforts need to be stepped-up, also in view of the uncertainties regarding the future economic outlook<sup>1</sup>. Adequacy and sustainability of social protection and social inclusion systems should remain guiding principles in the design of policies across all relevant domains. In that context, the **European Pillar of Social Rights** should serve as a compass, guiding efforts at both European and Member State levels.
9. **At the same time, European societies and labour markets are changing rapidly.** New opportunities and new challenges, arising from globalisation, the advancement of new technologies and demographic developments, are exerting further pressure on social protection systems and will amplify the need to ensure workers have the right skillsets.
10. **The active inclusion approach remains a highly relevant policy framework for addressing the future labour market challenges, as well as the multidimensional nature of poverty, social exclusion and inequality.** Member States should combine adequate income support with access to quality enabling services and inclusive labour markets to support those who can work to enter and remain in the labour market, thus helping them out of poverty. Integrated support should be provided for people who cannot work to ensure a life in dignity and their active participation in society.
11. **Policies should focus on addressing inequalities and promoting equal opportunities,** through access to quality services for all, which help create more equal opportunities in society and in the labour market, as well as through effective tax and benefit systems, which allow appropriate redistribution. Services, such as education, childcare, training, housing and healthcare strengthen individuals' capacities to participate actively in the society and the economy and contribute to the inclusiveness of growth.

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<sup>1</sup> See Employment and Social Developments in Europe (ESDE) Quarterly Review (March 2019)

- 12. Addressing the issue of in-work poverty requires a similarly integrated response.** Sufficient labour income can be further supported by fair taxation and adequate in-work benefits. Beyond cash-related measures, provision of social services, such as affordable childcare, long-term care, housing support and access to training also play an important role.
- 13. Reducing child poverty and breaking the inter-generational transmission of poverty should be addressed** through integrated long-term strategies combining prevention, adequate income support to families and access to quality services. In particular, early childhood education and care is an effective social investment to foster equal opportunities and overcome disadvantages which can be carried forward from childhood.
- 14. Youth employment rates are improving, yet a considerable share of the youth population still remains economically inactive** despite the improving youth employment rates. This has negative consequences for potential growth and may result in a higher risk of poverty or social exclusion later in life. Actions taken by Member States in line with the Council Recommendation establishing the Youth Guarantee are key drivers for improvement.
- 15. Wider access to quality and affordable formal care services** (such as childcare or long-term care) would help to reduce gender gaps, as well as the risk of poverty and social exclusion among both children and women. Women's participation in the labour market should be improved and gender gaps in pay and employment should be addressed. Work-life balance policies (including the design of family-related leaves, flexible working arrangements and addressing tax and policy disincentives) contribute to closing the gaps.

- 16. People with disabilities, people with a migrant background and ethnic minorities, including Roma, often face multiple disadvantages in relation to participation in the labour market and in society,** as reflected in a number of Member States having challenges related to the poverty or social exclusion of those persons. Supportive measures to enter the labour market complemented by improved accessibility, social and health services and an increased focus on prevention of poverty and exclusion are needed to strengthen all individuals' capacities to participate actively in society and the economy.
- 17. New forms of employment offer new work opportunities and new sources of income, but also challenge the way social protection systems are designed and financed.** Taking full advantage of these opportunities, while mitigating the risks, requires continued efforts to modernise social protection systems, ensuring that all workers and the self-employed have access to adequate social protection and incentives to contribute and participate in the social protection systems.
- 18. Levels of housing exclusion and homelessness, some of the most extreme manifestations of social exclusion, have not gone down in most Member States,** and in some the situation has worsened in recent years. The growing housing exclusion and homelessness challenge needs to be confronted with integrated and sustainable solutions that combine prevention and support. Measures, such as social housing and affordable rental housing programmes, accompanied by energy-efficient renovation of existing housing stocks, targeted housing allowances, as well as innovative, integrated approaches and solutions for homeless people should go hand-in-hand with policies that provide for the proper functioning of the private housing market.

- 19. Policy measures to ensure both the adequacy and sustainability of pension systems are required in view of the demographic challenge.** Ensuring longer and healthy working lives and inclusive labour markets which are receptive of older workers and ‘late-career’ changes will be crucial for the future of pension systems. Measures addressing smooth, gradual transitions from (extended) employment to retirement should accompany pension reforms. Reducing the gender pension gap should remain a major focus of policy efforts. Moreover, policies should aim at facilitating access to pension systems also for people in different forms of non-standard employment and in self-employment.
- 20. Effective and sustainable health systems that provide universal access to affordable, high-quality health care are key** to enable a healthy and active population, and promote productivity and economic growth in view of the ageing population in Europe. Inequalities in access to healthcare and inequalities in health outcomes, in particular between regions and socio-economic groups remain to be addressed. Health promotion, disease prevention, a shift from hospital-centric healthcare systems to more and better primary and ambulatory care as well as coordinated and integrated forms of health care provision equipped with skilled, resilient and an adequately staffed workforce, are important areas of reform. The digitisation of healthcare holds opportunities as well as risks for dealing with all these challenges.
- 21. Lack of provision of and access to quality and affordable long-term care, and the regional disparities within many Member States, are a cause of concern.** Long-term care policies need to strengthen rehabilitation and independent living, as well as ensuring a skilled and adequately staffed workforce. The sustainability of the long-term care systems should be strengthened and its funding secured in the long-term without compromising quality and access to services.
- 22. The European Commission is invited to take into account the above policy priorities in the preparatory work of the 2020 Annual Growth Survey.**