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

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

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 14 September 2020, with a view to their endorsement by the Council (AE) on 12 October 2020.

The full Report can be found in doc. 11371/20 ADD 1.

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 2021 Annual Sustainable Growth Strategy.
- 2. Until the start of 2020, the EU had been benefiting from continued economic growth and record-high employment,** which lead to widespread improvements in the social situation in Europe. The **number of people at risk of poverty or social exclusion, while remaining above the poverty reduction target set in the Europe 2020 strategy, had continued to decline,** approaching 7.2 million fewer people at risk in 2018 compared to 2008.
- 3. However, the period of steady economic growth and corresponding improvements in the social situation** in most European countries came to an end in the spring of 2020, when the COVID-19 pandemic swept across Europe. The outbreak resulted in unprecedented disruptions in economic, employment and social conditions.
- 4. Member States put in place various containment measures** to stop the spread of the virus and ultimately reduce the death toll resulting from the pandemic. They also took **decisive action to protect employment, income and access to services** through a variety of support measures.

5. **The EU has been coordinating a common European response to the COVID-19 crisis and providing emergency funding** to support the Member States through a number of financial instruments, such as the *Coronavirus Response Investment Initiatives* (CRII I & II) and the *Temporary Support to mitigate Unemployment Risks in an Emergency* (SURE). The activation of the General Escape Clause of the Stability and Growth Pact also allowed for exceptional budgetary flexibility, helping to mitigate the socio-economic impact of the crisis.
6. In the initial period following the COVID-19 outbreak in the EU, the **recourse to emergency support measures that preserved the link with employment was massive. This prevented a sudden, substantial increase of ‘classic’ unemployment.** However, in spite of the important government measures adopted to protect workers, the impact of the COVID-19 crisis on EU employment is very significant and in recent months there are now signs of a notable increase in the number of unemployed in many Member States. **Despite the measures taken, the unemployment rate in the EU is forecast to rise** from 6.7% in 2019 to 9% in 2020, before receding again to around 8% in 2021, with differences across sectors, countries and regions. There is also a **significant risk of widening economic and social disparities** between and within the Member States.
7. **Effectively containing the COVID-19 virus in Europe and around the world is a prerequisite for overcoming the crisis.** Following the initial drop in confirmed new COVID-19 cases in Europe before the summer, Member States started to reduce containment measures and began focusing on actions to support the recovery from the crisis. The latest virus outbreaks indicate that continued vigilance is needed and that measures to address the longer-term socio-economic impacts of the pandemic may still need to be combined with targeted containment and support measures in the short term.

8. In this context, **the Recovery Plan for Europe, as well as the reinforced 2021-2027 EU budget will play an important role in supporting the recovery**, by providing funding to programmes to restart the economy and reverse the social impact of the pandemic,
9. **Member States should continue pursuing their reform agendas**, taking into account lessons learnt from the past and addressing gaps unveiled by the current crisis. Sustained efforts are required to stimulate economic growth, increase employment, address poverty and inequality challenges and enhance the resilience of social protection systems, thus underpinning well-being and social cohesion in the longer-term.
10. **Against this background, the following policy guidance is to be considered:**
- The **European Pillar of Social Rights** should continue to guide Member States' reform efforts and its principles should continue to be systematically implemented. Member States should make use of the substantial EU funding made available to support the implementation of the related reforms. In that respect, the European Semester and the Social Open Method of Coordination remain effective coordination tools to ensure coherence in the reform agendas of the Member States.

- **Poverty and social exclusion** remain key challenges in Europe, and are likely to worsen due to the current crisis. Even before the crisis hit, the positive developments of the preceding period were offset by **certain areas of concern** arising from uneven developments in the income distribution, including increasing depth of poverty, the rising risk of poverty for people living in (quasi-)jobless households and the limited progress towards the Europe 2020 target to reduce poverty and social exclusion. Policy reforms based on an active inclusion approach, which combine adequate income support, high quality social services and inclusive labour markets, continue to be necessary. Special focus is required to ensure improved coverage and take-up of benefit schemes through simplifying access to benefits and avoiding excessively restrictive eligibility criteria. It remains essential to ensure the adequacy of benefits, while incentives to take up work need to be maintained.
- Measures to address the poverty and social exclusion of the most vulnerable are of utmost importance. Preventing and tackling **child poverty and social exclusion** as well as promoting child well-being, including through the provision of early childhood education and care, education, housing, nutrition and healthcare, must remain a key priority of the Member States. The social inclusion of **person with disabilities** needs to be enhanced through providing more inclusive education, appropriate access to health care and active labour market policies adapted to their needs. Further efforts are required for the inclusion of **migrants and refugees**, which will require an integrated approach inter-linking training and skills enhancement with employment opportunities, as well as access to services, notably healthcare and housing. To address **housing exclusion and homelessness**, Member States should prioritize integrated approaches that combine prevention, rapid access to permanent housing and the provision of enabling support services.

- With the deterioration in the employment situation and the growing number of people who are unemployed or working in precarious jobs, more people are in need of social protection. Further policy reforms to improve the coverage, while maintaining or improving the adequacy of **social protection**, including for the self-employed and people in non-standard forms of employment, are needed.
- The adequacy and sustainability of **pension systems** for workers and the self-employed should be ensured, along with the provision of equal opportunities for women and men to acquire pension rights. Pension reforms should be supported by active ageing strategies and other measures that promote longer working lives and by policies that aim to reduce the gender pension gap.
- Strengthening the resilience, effectiveness and access of **health systems** should remain a primary focus of the Member States' efforts. Investment in health promotion and disease prevention, and in well-trained and adequately supported medical personnel, will be critical to make health and social care systems more resilient to health emergencies and improve the well-being of all.
- Access to adequate, affordable and quality **long-term care**, alongside (pre-emptive) measures to reduce the need for long-term care, should remain a priority, both in light of the ageing population in Europe and the deficiencies in the provision of care laid bare by the crisis. An affordable, needs-oriented system of social services is required to provide adequate care for the elderly and people with disabilities, as well as to support informal caregivers. The cooperation between social services and healthcare systems should be reinforced.

- **Measures beyond the social policy domain** should also aim at on improving the social situation across the Union as a priority. Reforms need to take into account social and employment concerns and should be subject to distributional impact assessments to prevent adverse social effects. Member States should also maintain a constructive dialogue with **social partners, civil society representatives and other relevant stakeholders** when designing and implementing their reform agendas.
- To guide the reform efforts, the development of a **successor to the Europe 2020 Strategy** remains important, in particular in the aftermath of the COVID-19 crisis. Such a strategy should include clear and ambitious social and employment targets, based on the European Pillar of Social Rights and the experience acquired from the Europe 2020 strategy, also taking into account the 2019 joint EMCO and SPC assessment of Europe 2020 and the United Nations Sustainable Development Goals.

11. The European Commission is invited to take into account the above policy guidance in the preparatory work of the 2021 Annual Sustainable Growth Strategy.