



**COUNCIL OF  
THE EUROPEAN UNION**

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**COVER NOTE**

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from: The Social Protection Committee  
to: Permanent Representatives Committee (Part I) / Council (EPSCO)  
Subject: The social situation and "trends to watch" in the EU: Key conclusions and policy messages  
- Endorsement of main messages

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Delegations will find attached the above mentioned key conclusions and policy messages, based on the Social Protection Committee's Annual Report monitoring the social situation in the EU, with a view to their endorsement by the Council (EPSCO) on 28 February 2013.

The full Annual Report can be found in doc. 6138/12 ADD 1.



## **The Social Protection Committee**

**The social situation and 'trends to watch' in the EU: Key conclusions and policy messages**

Prepared for the EPSCO Council, these key conclusions and policy messages are anticipated for referral to the European Council to nourish discussions on the social situation in the EU at the Spring European Council. They are based on the Annual Report monitoring the social situation in the EU prepared by the SPC under article 160 of the TFEU and on its work within the open method of co-ordination<sup>1</sup>. The Committee consulted the European social partners and the Social Platform and annexed their views to its Annual report.

## **Key conclusions on the social situation in the European Union**

The Union faces an historical opportunity to put in place a coherent and integrated policy answer to the challenges it faces: stabilising its public finances and lowering public debt, putting the economy on a path to inclusive growth, increasing employment and reducing poverty and social exclusion.

The social situation in the EU is worsening:

- The number of people at risk of poverty or social exclusion in the EU accounts for nearly one-fourth of the population
- Current levels of poverty and social exclusion jeopardise the achievement of the EU 2020 headline target

There is a need to **improve the quality of fiscal consolidation and the resilience of social protection systems with a new sense of urgency**. The **emphasis needs to shift from short-term measures to structural reforms with the right pace and sequence** in order to spur economic growth, promote high level of employment and guarantee adequate social protection. The role of social protection is fundamental for safeguarding human capital and well-being in Europe and thus for prospects of future competitiveness and economic recovery. Social policies alone cannot deliver on the Europe 2020 poverty target; this objective must be underpinned by other public policies including in the economic, employment, tax and education fields.

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<sup>1</sup> Doc. 6138/13 ADD 1.

The very essence of social protection is to **shield against important lifetime risks through a set of universal policies and benefits accessible to all and targeted measures addressing specific needs**. Social protection policies pursue a wider political objective and should not exclusively focus on poverty reduction.

## **I. Social trends to watch in the EU**

1. The Union faces a rare combination of recession or weak growth in many Member States, falling income levels and substantial financial consolidation programmes reducing social transfers and services. The combined impact of these factors deepens poverty and inequalities with marked differences across Member States threatening to create a dangerous polarisation within the Union.
2. In 2011, 119.6 million people in the EU, or 24.2% of the population, were at risk of poverty or social exclusion, compared with 23.4% in 2010 and 23.5% in 2008. 17% of the EU27 population were at risk of income poverty. 8.8% of the population were severely materially deprived, indicating living conditions constrained by a lack of resources such as not being able to afford to pay their bills, keep their home adequately warm, or face essential unexpected expenses. 10% of the population aged 0-59 lived in households where the adults worked less than 20% of their total work potential during the past year. Income inequality has been widening in many Member States. This may result in significant parts of the European population becoming entrenched in poverty.
3. Against this background, there are four key EU "social trends to watch" established by the Social Protection Performance Monitor (see the dashboard of leading indicators in annex 1):
  - **Increase in poverty and social exclusion for the overall population** (registered in 13 Member States)

- **Increase in the number of children living in poverty and social exclusion** (registered in 10 Member States)
- **Increase in the working poor** (registered in 12 Member States)
- **Increase in the poverty risk for the population living in quasi-jobless households** (registered in 12 Member States)

4. Cumulative objectives of Member States fall significantly below the target of reducing by 20 million the number of people living in poverty or social exclusion. The current economic stagnation and little or no progress in national targets in a number of Member States makes the achievement of the Europe 2020 headline target highly unlikely if current policies are continued unchanged. The steadily increasing number of children living in poverty or social exclusion poses serious concerns for the current well-being of children and the long-term impact this will have for Europe's future generations. Preventing and tackling child poverty and social exclusion as well as promoting child well-being must be one of the Member States' key priorities.

5. The stabilisation effects of social protection benefits witnessed in the early years of the current crisis underline the unique social dimension of Europe. With the deterioration in the employment situation in some Member States and the growing number of unemployed and their longer stay in unemployment, more people are in need of social transfers. Data collected by the SPC on the take-up of benefits shows that in some Member States, the growth in unemployment is not always matched by similar trends in benefit recipients which may lead to a potential gap in coverage.

## **II. Measures to improve the social situation**

### **Promoting active inclusion**

6. In a context of rising unemployment and in particular long-term unemployment, the adequacy and eligibility criteria of social protection benefits need to respond to the two-fold challenge of stimulating those able to work to return quickly to the labour market and ensuring adequate income support for persons in need both in and out of the labour market. The provision of accessible and effective services is essential. Youth exclusion is a new social challenge with important implications for future sustainability of social protection systems.

### **Ensuring adequate and sustainable pensions**

7. Pensions must permit the maintenance of a decent and adequate standard of living after retirement. Reforms in some Member States have improved the sustainability of pensions to the detriment of future pension adequacy, resulting in potential increases in pensioner poverty. High accrual rates are the best incentive for prolonging contributory periods. Labour markets must be more inclusive and deliver higher employment rates for older workers and young people in order to raise effective retirement ages, extend working lives and secure better future pensions.

### **Accessible, sustainable and high-quality health and long-term care services**

8. Improving the long-term sustainability of health care systems and its capacity to ameliorate health outcomes may require structural reforms reviewing both financing and access to services as well as strengthening health promotion and disease prevention. Health policies should pursue effectiveness and expenditure control in an integrated fashion. Comprehensive measures tackling the social gradient in health need to accompany structural reforms in order to ensure accessibility, quality and effectiveness.

9. Due to demographic developments and changing social patterns, long-term care has become a key issue for Member States' policies. An affordable, need-oriented system of social services is required in order to offer adequate care for the elderly and people with disabilities, as well as to support informal care-givers.

### **Financing of social protection policies**

10. To improve competitiveness, sustainability and job creation, Member States consider different policy alternatives including shifting the financing of social security away from labour to taxation or changing the fiscal pressure on enterprises. While there is no one-size-fits-all approach, reforms in social protection financing should be assessed for their impacts on, inter alia, equity, coverage, effectiveness and governance of the overall system. Earnings-related benefits will require continued financing by employers and employees and the state where this applies. The blending of different sources of social security financing should not create segmented financing and delivery of benefits. Social partners must be involved in the decision-making process.

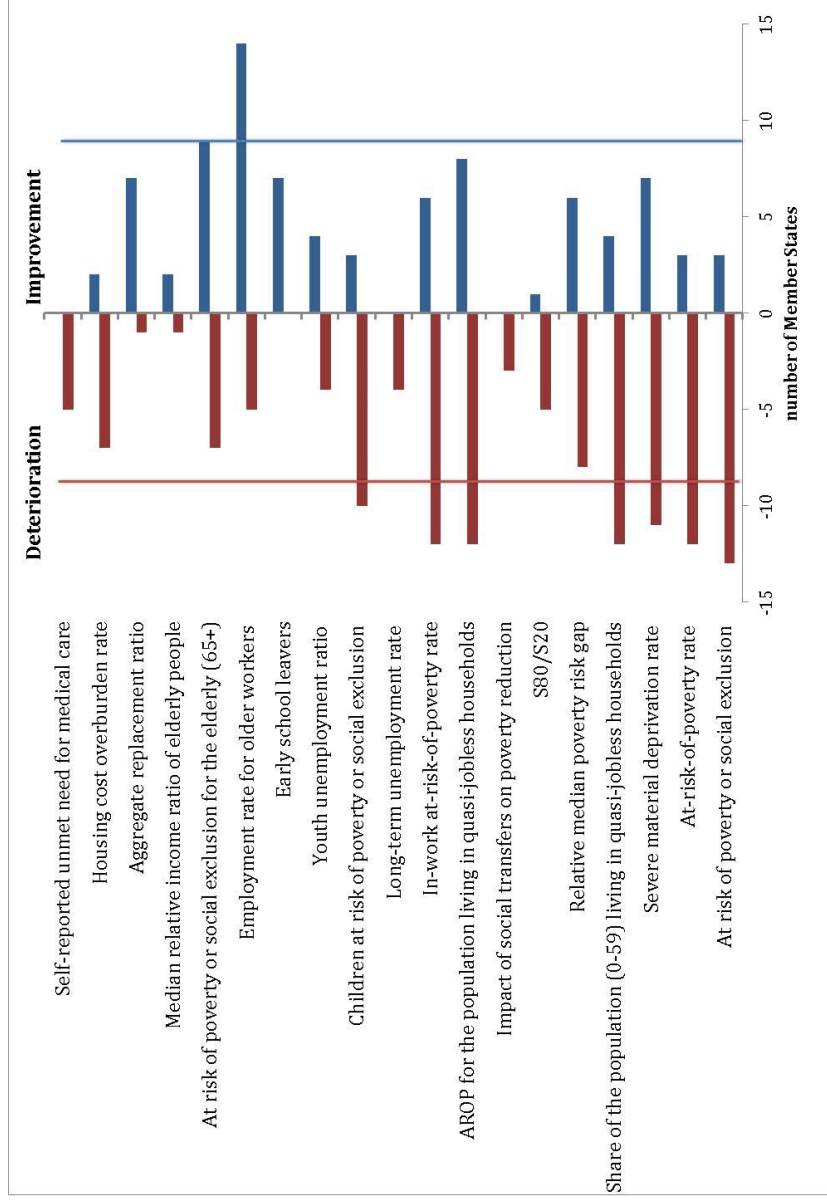
### **III. Towards social policies investing across the lifecycle**

11. Social protection systems are indispensable for economic recovery, prosperity and social cohesion. Rapid short-term reforms may induce higher future costs through the extended provision of benefits, retraining schemes and social programmes necessitated by prolonged unemployment spells and increasing poverty. Improving the quality of fiscal consolidation measures requires that both Member States and the Commission assess the impacts of major policy and spending decisions in line with Article 9 of the Treaty on the Functioning of the European Union.

12. Efficiency and effectiveness aims of social spending need to be pursued in tandem. The fact that similar levels of social spending achieve significantly different results in terms of social protection, poverty reduction and inclusion underlines the need for bolder measures to enhance effectiveness of spending and policies. Member States need to identify benefits and services whose funding should be protected at all costs as well as those whose effectiveness can be improved at a lower budgetary expense. In this context it is important to collect, analyse and exchange information on new efficient and effective methods to deliver social services.



**Key social trends in 2010-2011 - Number of Member States showing significant improvements or deterioration in key social indicators (reference period 2010-2011)**



*Reading note: the vertical lines show the agreed threshold for a "trend to watch" : set at 9 Member States or 1/3 of all Member States*