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from: The Social Protection Committee  
to: Permanent Representatives Committee (Part I) / Council (EPSCO)  
Subject: Evaluation of the 2013 European Semester in employment and social policies:  
(b) SPC Report on social policy reforms for growth and cohesion  
- Adoption of the key conclusion: contribution to the AGS 2014 policy  
priorities

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Delegations will find attached the above-mentioned contribution, with a view to its endorsement by the Council (EPSCO) on 15 October 2013.

The full evaluation can be found in doc. 13958/13 ADD 1.



## The Social Protection Committee

### **Policy Conclusions from the SPC report on structural social policy reforms for growth and cohesion: priorities for the Annual Growth Survey 2014**

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On the basis of the 2013 report on recent social policy reforms carried out in the EU (see Council document 13958/13 ADD 1), the following policy priorities are identified as a contribution for the forthcoming Annual Growth Survey:

#### *Moving forward towards the Europe 2020 objectives for smart, sustainable and inclusive growth*

1. Against the background of highly uncertain and volatile economic environment and fiscal constraints, EU Member States are engaged in unprecedented social policy reforms (see table 1 in annex) in order to address the negative social consequences of the crisis and successfully face the future challenges due to the ageing of the European population, the emergence of new demand for social protection and the structural changes in the economy and society. In this context, Member States welcomed the Social Investment Package<sup>1</sup> and its integrated approach to social policy reforms.
2. These reforms illustrate Member States' resolve to reform their social protection systems in order to make them more resilient, more oriented towards investing in people's capacities and skills and better supporting the labour force's adaptation to the needs of flexible labour markets.

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<sup>1</sup> Doc. 11487/13

3. The economic recession and its repercussions have compounded the need for balanced structural social policy reforms. For the last five years, the economic downturn has structurally constrained many social protection systems putting to test their resistance to protracted economic shocks and the values which they promote. While social protection systems strive to contain the drop of many households further toward poverty, their investment and automatic stabilisers functions have been weakened by financial constraints and by prolonged recession. In the face of current challenges, social protection systems helped sustaining certain degree of social cohesion, thus contributing to the implementation of the Europe 2020 strategy.
4. Member States should now refocus on the smart, sustainable and inclusive growth-oriented Strategy. Their economic, fiscal and social policies need to support the achievement of the Strategy.

***Renewing the social policy priorities of the Annual Growth Survey: toward ensuring adequate social investment for inclusive recovery and future growth***

5. In line with the broad political objectives for social policies defined by the Council in its policy conclusions on the AGS 2013<sup>2</sup>, the scope of social policy structural reforms goes well beyond the issues addressed in the European Semester which continues to be dominated by macro-economic and fiscal considerations.
6. Therefore, the social policy priorities of the next Annual Growth Survey ought to shift from the social consequences of the crisis toward building adequate, effective, resilient and flexible social protection systems combining a strong social investment dimension with better protection and sustainability and relying on solid governance arrangements and sustainable financing.

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<sup>2</sup> doc. 6462/13

7. The Annual Growth Survey needs to pay more attention to the long-term social priorities of the EU stemming from its Europe 2020 strategy. Acknowledging the broader scope of social policy reforms at national level, the Annual Growth Surveys should recognise that the main role of social protection is to provide adequate safeguards to citizens across their life-cycle against the economic risks of loss of employment or income, health deterioration or invalidity, as well as effective support in their transitions from education to work and between jobs. The function of social protection must not be reduced only to 'safety nets'.
8. Further, experience shows that social policy reforms need to be comprehensive, involving both universal and targeted approaches, while avoiding the sectoral fragmentation and the dissociation of adequacy from sustainability. Fragmented approaches hamper the overall effectiveness of the system and can lead to segmented social protection with differing levels of coverage per social security branches and of quality of the protection along the life-cycle. Social policy changes should not create new gender gaps or disadvantages for women and men that could accumulate during their life cycle. Such approaches would not support the goals of the Europe 2020 strategy.
9. Member States implementing Economic Adjustment Programmes (EAP) have shown an extraordinary commitment to reforms which are painful for their population. Lessons should be learned from their experience. Many of the implemented policy measures strengthened their social protection systems, while others failed to halt the rise of poverty and in particular child poverty. Social impact assessment must therefore precede the Economic Adjustment Programmes in order to choose the most appropriate path of reforms and adjust the resulting distribution impact across income and age groups. The EPSCO Council should also regularly review the progress of the social policy orientations within the EAPs and their impact with the view to formulate policy guidance.

***Reforms enabling and supporting the most disadvantaged citizens to participate in the labour market and society***

10. The number of people at risk of poverty or social exclusion in the EU amounts to nearly one-fourth of the total population. Current levels of poverty and social exclusion jeopardise the achievement of the EU 2020 headline target. In a context of low growth, 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. Youth exclusion is a new social challenge with important implications for future sustainability and adequacy of social protection systems. Promoting investments in early childhood interventions and preventing and tackling child poverty and social exclusion must be one of the Member States' key priorities.

***Health care reforms delivering safe and effective high quality health care services for citizens***

11. Health care reforms need to be focused on responding to structural challenges affecting the delivery and quality of health care services and their capacity to ameliorate health outcomes. This may require Member States to both review the financing and improve access to services, as well as to strengthen health promotion and disease prevention.
12. Future policy efforts need to focus on strategies allowing health care systems to be adequately resourced – both financially and staff wise - to meet the requirements of an increasing health demand and to respond to an increasing public expectation for safety of health care services. Putting the financing of health care systems on a sound footing requires cost-effective spending, diversification of the financing sources and economic growth.

***Pension reforms delivering sustainable and adequate benefits and facilitating individual choices for working longer***

13. While putting public finances on a sustainable path is a top economic priority, there is a growing concern about the adequacy of future pensions now so as to avoid increasing the risk of poverty among future pensioners. Pension schemes can uphold their legitimacy and attractiveness by relying on a smart mix of measures reinforcing their adequacy and sustainability. The future adequacy and sustainability of pensions are closely linked to economic performance and labour market developments. Reforming only the pension systems will not be enough. Reducing youth unemployment and discouraging early exit from labour markets today is crucial for the future sustainability and adequacy of pension benefits tomorrow.
14. Different policy options and instruments can be used in the context of pension reforms depending on the concrete country-specific sustainability and adequacy challenges. These generally include: aligning retirement age to life expectancy and/or other incentives for prolonging working careers, closing the gap between the effective retirement and the statutory retirement age, pension indexation, the relation between the length of contributory periods and the level of pension benefits, strengthening equity in pension policy with due considerations to working conditions, breaks of careers and equal opportunities for men and women in the labour markets. Pension reforms require broad political and public support. The role of social partners in this respect is a key factor for their success.
15. Further, incentives need to be put in place to stimulate employers to hire and retain older workers. Barriers restricting their employment must be removed. Labour markets policies must deliver better inclusiveness and higher employment rates for older workers and young people in order to raise effective retirement ages, extend working lives and secure better future pensions.

***The Commission is invited to take into account the above policy priorities in the preparatory work of the 2014 Annual Growth Survey***

Table 1 : Recent social policy reforms in the EU (reference period : January 2012-June 2013)

	Pension reforms					Health care reforms					Social inclusion reforms			
	Tightening of early retirement	Pensionable age (planned increases)	Contributory period	Level of pensions	Pension indexation	Stewardship of the health care system	Health service delivery (including e-health)	Investing in the health workforce	Cost-containment and cost-sharing	Enhancement of access to services and of patient's choice	Poverty-reduction and inclusive labour markets	Investing in children	Housing	Roma inclusion
AT	•		•			•	•		•					
BE	•		•	•			•		•			•		
BG	•	•	•	•	•		•					•		•
CZ	•				•									
CY	•	•	•	•	•	•								
DE						•								
DK	•								•					
IE								•						
IT	•	•				•		•				•		
HU						•	•	•				•		•
EE														
EL	•	•				•		•	•					
ES	•	•	•			•		•				•		
FI	•					•								
FR	•	•		•	•									
LT						•	•					•		
LV			•	•	•	•	•	•	•			•		
LU	•				•	•			•			•		
MT							•	•						
NL		•										•		
PL	•	•			•		•					•		
PT								•						
RO									•					
SE							•		•			•		
SI		•	•	•	•							•		
SK	•	•	•	•	•		•	•				•		•
UK		•	•			•	•		•			•		•