



**COUNCIL OF
THE EUROPEAN UNION**

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COVER NOTE

from: The Employment Committee and The Social Protection Committee
to: Permanent Representatives Committee (Part I) / Council (EPSCO)

Subject: The Social Dimension of the EMU:
(b) Contribution of the EMCO and SPC committees

Delegations will find attached a joint EMCO and SPC contribution on the scoreboard on employment and social policies in the context of the social dimension of the EMU, with a view to the Council (EPSCO) discussions on 15 October 2013.

Joint EMCO and SPC contribution for October EPSCO Council on the scoreboard on employment and social policies in the context of the social dimension of the EMU

The EMCO and SPC Committees received a mandate from the EPSCO Council to *"reflect jointly and report on the debate on reinforcing the social dimension of the EMU, including social dialogue, and on the application of increased ex-ante coordination of major reforms, and the feasibility of using contractual arrangements and solidarity mechanisms to enhance reforms"*¹.

With a mind to the road map for steps to reinforce the social dimension, in June 2013 Heads of State and Government had already highlighted the need to better monitor and take into account the social and labour market situations within the EMU, notably through appropriate social and employment indicators within the European Semester, and stressed that any such measures would be voluntary for those Member States outside the single currency and be fully compatible with the Single Market in all aspects. Following the informal EPSCO Council of 9 July, the Chairs of both EPSCO advisory bodies asked the Commission to prepare for their joint meeting on the 18th of September 2013 in Kaunas, Lithuania, a technical note setting out possible common views on the production of a scoreboard to measure social and employment imbalances.

On the basis of the Commission technical note and presentation, the Committees held a first discussion on possible indicators for an enhanced, more focused and more visible monitoring of key social and labour market developments within the EMU through a scoreboard of key employment and social indicators for the EMU. These reflections build on existing monitoring frameworks used in the context of the European Semester: the Employment Performance Monitor (EPM) and the Social Protection Performance Monitor (SPPM), both based on the Joint Assessment framework (JAF).

¹ Council conclusions, Council document 6936/13

More specifically, the Commission contribution focused on:

- improving the monitoring of the employment and social situation within the EMU;
- strengthening the visibility of employment and social development within the EMU;
- providing a better balance of financial and economic policies on the one hand, and employment and social policies on the other hand in the context of the European Semester.

Both Committees subscribe to the need for a scoreboard of employment and social indicators and welcome the overall orientation of the Commission proposal. The development of a Scoreboard could help to underpin the contribution of the EPSCO Council to the agenda set by the European Council regarding the reinforcement of the social dimension of the EMU within the current institutional framework, and can represent a valuable additional tool within the European Semester. To this effect, further clarification of the operational scope and use of a scoreboard is needed.

Both Committees highlight that such a Scoreboard would contribute to an enhanced and more visible monitoring of employment and social policies in response to emerging structural and cyclical challenges. However, both Committees also recognise that the development of indicators cannot be a substitute for policy reforms.

Both Committees in general welcome the proposal to base the scoreboard on a limited number of existing indicators which could include the following five indicators as a good starting point:

- 1) The Unemployment Rate (%)
- 2) The percentage of young people (18-24) not in employment, education or training
- 3) The change in real gross disposable income of households
- 4) The "At-risk-of-poverty rate" 18-64 year olds (%)
- 5) Inequality (S80/S20 ratio)

The Committees agree that under the circumstances of EPSCO support for a Scoreboard, further technical work will be required by the committees and their sub-groups to finalise the choice of the indicators and possible thresholds, and to discuss the possible inclusion of a few further indicators, on topics such as health and human capital development.

The Committees stress clearly that any scoreboard should be fully integrated into the European Semester; it needs to fully respect the principles of subsidiarity and proportionality; no new processes or reporting requirements should be created, and complementarity with the indicators within the Alert Mechanism Report should be ensured. And insofar as the Scoreboard would be used as an instrument in the context of the increased policy coordination in the Euro area, it will facilitate the coordination between economic, employment and social policies particularly in the Euro area while remaining open for other Member States whose currency is not the euro, in line with European Council conclusions of June 2013.

SPC and EMCO stress that the Scoreboard should not lead to a mechanical or automatic triggering of further policy advice or recommendations to individual Member States. And the Scoreboard should in all circumstances be interpreted in the light of the more detailed contextual information provided in the Employment Performance Monitor and Social Protection Performance Monitor. A more detailed breakdown of indicators (by gender, age and/or other factors) as provided by the EPM and the SPPM would also help reflect better the principles of gender mainstreaming and specific situation of key segments of population. Any possible thresholds, or signal value must take into account starting position and recent trends of Member States, the criteria used in the European Semester, and any limitations related to the construction of the indicators or the timely availability of data sources, the improvement of which is desirable although it should not lead to increased administrative burden on the Member States.

Both Committees are reporting to EPSCO independently on wider aspects of reinforcing the social dimension of the EMU in the light of a Commission Communication on the issue and in delivering on the Council mandate.