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COVER NOTE

from: The Social Protection Committee
To : Permanent Representatives Committee (Part I) / Council
Subject: Social Protection Performance Monitor (SPPM) - Report on key social challenges and main messages from SPC
- Endorsement

Delegations will find attached the "Main messages on the social situation and priorities for social policy reforms at EU level" as finalised by the Social Protection Committee on 19 September 2016, with a view to their endorsement by the Council (EPSCO) on 13 October 2016.

The full Report can be found in doc. 12607/16.



Social Protection Committee (SPC) main messages on the social situation and priorities for social policy reforms at EU level

1. Delivering on its mandate as per Art 160 of the TFEU, the Social Protection Committee (SPC) has produced for the Council its annual review on the social situation in the EU and the social policy developments in the Member States, based on the most recent data and information available¹. On this basis, the SPC highlights the following findings and common priorities for social policy reforms which should guide the preparatory work for the 2017 Annual Growth Survey.
2. The latest update of the Social Protection Performance Monitor (SPPM) points to a continued favourable evolution on the labour market, with more indicators flagging up a shift to positive changes.
3. Nevertheless, the EU continues to be far off-track in reaching its 2020 social inclusion target, with overall figures for the EU at risk of poverty or social exclusion rate continuing to point to stagnation at a high level.
4. For the EU the following *social trends to watch* have been identified:
 - a general continued deterioration in the relative poverty situation, its depth and persistence;

¹ This has been done on the basis of the Social Protection Performance Monitor (SPPM) and the policy reforms' reporting done by Member States.

- increases in the share of the population living in quasi-jobless households, together with rises in the at-risk-of-poverty rates for people residing in such households.
5. In 2014 there were 26.1 million children in the EU-28 living at risk of poverty or social exclusion, accounting for around 1/5 of all people living in poverty and social exclusion.
 6. The most recent data shows that household incomes are increasing again in many Member States, leading to a reduction in severe material deprivation rates and in the burden of housing costs in several countries.
 7. Long-term unemployment and still relatively low employment opportunities for youth (15-24) remain major challenges in the EU but some positive developments have recently been registered with falls in the NEET rate and youth unemployment.
 8. The labour market participation rate of older workers as well as the income and living conditions of the elderly relative to the rest of the population continue to improve.
 9. There remains wide dispersion and growing divergence in income inequality between Member States. Since 2008 income inequality has been rising in nearly half of the Member States. In order to address excessive inequality, policies can also focus on promoting equal opportunities.
 10. Nearly half of Member States have potential for improvement in terms of the effectiveness of benefits for the working age population while for several others the challenges concern the effectiveness of social services or the inclusiveness of labour markets. Some Member States have made substantial policy reforms focusing on coverage and adequacy of social benefits and their link to activation. These may include increased amounts in income support and targeting of social transfers, facilitating access to quality social services and improved monitoring tools.

11. Policy reforms based on an active inclusion approach, combining adequate income support, high quality social services and support for activation to encourage labour market (re)integration, continue to be necessary. Ensuring and improving coverage and take-up of benefit schemes should be achieved through simplifying access to benefits, avoiding very strict low income targeting and careful consideration of the adequacy of benefits. To avoid the fragmentation of service delivery, Member states should make better efforts to introduce and provide integrated services tailored to individual needs. Incentives to work should be enhanced.

12. In the vast majority of Member States challenges are identified in relation to poverty or social exclusion for persons in vulnerable situations, making it clear that the inclusiveness and fairness of social protection systems is a key challenge across the EU. Reducing child poverty and breaking the poverty cycle across generations require integrated strategies that combine prevention and support. These strategies should aim at facilitating support to parents' access to the labour market, and enhancing preventive approaches through early intervention and increased support to families.

13. Significant differences remain in the access to quality health care by income level. Recognizing Member States' national competence in the delivery and organisation of health services and medical care, further policy efforts at national level are necessary to ensure universal access to high quality health services, while securing their adequate and sustainable financing and making use of innovations and technological developments.

14. Access to adequate, affordable and quality long-term care, with an increasing focus on preventing the need for long-term care, remains a priority. This may imply a shift from a primarily reactive to an increasingly proactive policy approach, such as in social and health care, which seeks both to prevent the loss of autonomy and thus reduce the need for long-term care services, and to boost effective and good quality long-term care, integrating the health and social care elements of long-term care provision.

15. Addressing the impact of ageing and promoting longer working lives has driven extensive pension reforms in recent years, such as through equalising retirement ages for women and men and aligning the pension age with life expectancy. These efforts should continue but more needs to be done to ensure the adequacy of future pensions for many Member States. Pension schemes can uphold their legitimacy and attractiveness by relying on a mix of measures that reinforce both their adequacy and sustainability. Reducing unemployment and encouraging longer stay in labour markets today, including through raising the labour market participation of women, will be crucial for the future sustainability and adequacy of pension benefits. Reducing the pension gender gap should also be a major focus of policy efforts. In addition to that, policies promoting cost-effective and safe complementary savings for retirement are an important part of the necessary mix of measures to ensure future pension adequacy for many Member States. Pension reforms require broad political and public support, with social partners having a key role in this respect.

16. Social investment, preventive approaches and gender mainstreaming in policy formation are needed to strengthen all people's capacities to participate actively in society and the economy. Social impact assessment should be included in policy development and the distributional impact of different policy options be considered.

17. Overall, improving the performance of social protection systems in terms of poverty prevention and reduction, including through effective social insurance and social assistance as well as social investment, will be essential to progress towards achieving the 2020 poverty and social exclusion target and contribute to continuous improvement of employment and social outcomes² in the EU. Member States should maintain their efforts and ensure that social protection systems deliver better social outcomes while maximising the positive impact on employment and growth.
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² 2015 Council Conclusions on Social Governance for an Inclusive Europe (Council document 14129/15)