



Council of the  
European Union

Brussels, 17 February 2017  
(OR. en)

6266/17

SOC 88  
EMPL 58  
ECOFIN 88  
EDUC 43

**NOTE**

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From: General Secretariat of the Council  
To: Permanent Representatives Committee/Council

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No. prev. doc.: 5927/17 SOC 64 EMPL 45 ECOFIN 67 EDUC 34

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Subject: The 2017 Annual Growth Survey and Joint Employment Report: Political  
guidance on employment and social policies  
- Draft Council Conclusions

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Delegations will find attached the draft Council Conclusions, jointly prepared by the Employment Committee and the Social Protection Committee.

These Conclusions were presented to the Working Party on Social Questions on 16 February 2017.

The Permanent Representatives Committee is invited to consider the draft Conclusions with a view to their adoption at the EPSCO Council on 3 March 2017.

**The 2017 Annual Growth Survey and Joint Employment Report:  
Political guidance on employment and social policies**

Draft Council Conclusions

**CONSIDERING THAT**

1. The employment and social situation in the EU is improving in a context of moderate and increasingly job-intensive economic recovery. Nearly all Member States are experiencing economic growth, although marked disparities remain.
2. The EU unemployment rate stood at 8.3% in October 2016, thereby reaching its lowest level since 2009. Similarly, youth unemployment and long-term unemployment continued to decline. However, despite the positive trend, all three of these remain worryingly high in a number of Member States. At the same time, at 71.1% in the second quarter of 2016, the employment rate in the age group 20-64 exceeded the rate observed in 2008 for the first time. If we work to maintain this positive trend then the Europe 2020 Strategy target of a 75% employment rate for men and women may be within reach by 2020.
3. Household incomes in many Member States continued to rise in 2015, mostly due to stronger economic activity and improving labour market conditions. The total number of people at risk of poverty or social exclusion in the EU has started to decrease, approaching its 2008 level, but still remains at a very high level -- 118 million people or 23.7% of the total population in 2015, far off-track in reaching the Europe 2020 Strategy poverty and social exclusion target. Child poverty remains an important challenge with 26.1 million children in the EU28 living at risk of poverty or social exclusion.

4. Overall income inequality is at a high level with significant divergences across the EU. High levels of inequality can reduce the output of the economy and the potential for sustainable and inclusive growth.

## **STRESSING THAT**

5. There is no scope for complacency and upward convergence of employment and social outcomes should be pursued. Therefore, the continuity in the policy priorities set out in the Commission's 2017 Annual Growth Survey (AGS), which maintains the focus on the virtuous triangle of boosting investment, pursuing structural reforms, and ensuring responsible fiscal policies, is strongly supported.
6. The role of the Joint Employment Report (JER) in identifying the labour market and social challenges has been reinforced and has enhanced the political ownership of the findings.
7. The further strengthening of social and employment considerations throughout the Autumn Package which marks the start of the 2017 European Semester is strongly welcomed.
8. The emphasis on investment in general and sustained social investment in particular is seen as positive. This is accompanied by the recognition that more action is needed to address youth and long-term unemployment, and support job creation, labour market participation (in particular for women), appropriate skills development, and access to quality healthcare and social services, in particular childcare and care services for other dependents. An appropriate balance between universal and targeted approaches in social protection should be maintained.
9. The impact of the high inflows of refugees on Member States' employment and social protection systems has been asymmetric and should be monitored. Prompt and effective integration of the newly arrived into society and the labour market is important for the cohesion and prosperity of the EU.

10. Globalisation, demographic changes, and technological and environmental developments represent both challenges and opportunities for job growth, the structure and quality of jobs, working conditions and social inclusion. In this respect, skills development and investment in human capital are considered of utmost importance so that all have an equal opportunity to succeed in the labour market. Employment and social policies should respond to the development of new business models and new forms of work.

On the basis of the AGS and the JER, the following orientations in the field of employment and social policies are important:

**Support for job creation, job quality and labour market participation**

11. Job creation should remain as a key focus of reforms, whilst more efforts should be directed at promoting the creation of quality jobs (including in new forms of work), removing barriers to labour market participation, reducing labour market segmentation, tackling in-work poverty, and addressing undeclared work, smoothing transitions, providing adequate income support and high quality activation and enabling services. Flexible and reliable contractual arrangements, effective active labour market policies and comprehensive lifelong learning strategies can contribute to fighting unemployment, foster job growth and help labour markets adapt to changing economic conditions.
12. The movement of wages in line with productivity has been a positive contribution to balanced growth within countries and within the Euro area as a whole. Wage-setting systems should be effective in both supporting job creation and delivering real income increases, whilst respecting national practices and the role of social partners.

13. The role of tax and benefit systems should be exploited with the aim of reducing disincentives to take up work and increasing take-home pay, especially for low-wage earners, as well as decreasing taxation to support employment. Lower and well-designed taxation on labour could help stimulate employment growth and in turn mitigate inequalities, whilst respecting the competence of Member States for tax matters and taking into account the important aspects of social security funding and structural differences in social protection systems between Member States.

**Further efforts to address youth and long-term unemployment**

14. The EU Youth Guarantee and Youth Employment Initiative have proven their benefit as drivers for structural reforms but Member States need to maintain momentum in their efforts to tackle youth unemployment, in particular in those regions most in need. Member States need to make sure that labour market institutions, and in particular Public Employment Services, have the capacity needed to fully implement the Guarantee. Structural cooperation with the education and social protection systems should be further reinforced and the diversity within the population of young NEETs, in particular those hardest to reach, should be taken into account more strongly.
15. Long-term unemployment still accounts for almost 50% of total unemployment in some regions, with negative consequences related to the depreciation of skills, lower attachment to the labour market and higher risk of poverty and social exclusion. Addressing key challenges related to long-term unemployment and the implementation of the Council Recommendation on the integration of the long-term unemployed should continue to be a priority for Member States, with a view to offering individualised support and improving coordination between employment services and other actors.

### **Improving women's labour market outcomes and reducing the gender pay gap**

16. There is a need for work-life balance measures for both men and women to be integrated into policy making, including through access to affordable and quality childcare and care services for other dependents, adequate leave and flexible working arrangements, as well as measures to avoid tax-benefit disincentives for second earners. More visibility should also be given to the gender pay gap and gender gap in coverage of pensions, and to gender differences in poverty and social exclusion, and more efforts should be made to reduce them.

### **Modern education and training systems ensuring effective skills development and upskilling**

17. Well-functioning, flexible labour markets require skills which not only match the current labour demand but also allow for further development, particularly in a context of increasing labour market shortages. In line with the New Skills Agenda for Europe, reforms should focus on sustained investment in skills development among youth and adults, ranging from basic skills in numeracy and literacy to financial, entrepreneurial, green and digital skills, better alignment of skills with labour market needs (including improved skills forecasting), and by tapping into the potential of high-quality work-based learning. Improving vocational education and training, including by promoting flexible learning pathways, should help people to develop the appropriate transferable skills throughout their lives.

### **Promoting adequate and sustainable social protection systems with an emphasis on social investment and social inclusion**

18. Member States should provide effective, efficient, and adequate social protection, throughout all stages of an individual's life, contributing to the safeguarding of living standards, preventing poverty and inequalities.

19. Concern for inclusiveness call for increased awareness at all levels about the distributional impact of policies and reforms. The design of education, labour market, health and social protection systems should work towards promoting social participation of all. Tax and benefit systems, wage setting, education, skills, social services and health care systems are areas where coordinated and effective action has the potential to reduce inequalities and promote equality of opportunities. Indeed, high levels of inequality can reduce the output of the economy, the potential for sustainable growth as well as the overall competitiveness of the EU.
20. Policy reforms based on an active inclusion approach, combining adequate income support, high quality, activating and enabling social services and support for labour market (re)integration, remain key and are efficient and sustainable ways of fighting poverty and social exclusion. This includes ensuring adequacy, coverage and take-up of benefit schemes, better efforts to introduce and provide integrated and individualised services and enhanced incentives to work.
21. Reducing child poverty and breaking the cycle of poverty and social exclusion across generations require integrated strategies that combine prevention and support. These strategies should aim at supporting parents' access to the labour market, and enhancing preventive approaches through early intervention and increased support to families.
22. Reforms in health care should ensure universal access to timely, high-quality patient-centred health services, while securing their adequate and sustainable financing and making full use of cost-effective innovations and technological developments, and of an adequate workforce. The need for healthcare should not lead to poverty or financial strain and the health systems' positive contribution to population health and economic prosperity should be supported. Further emphasis should be given to prevention.

23. Long-term care reforms should aim to achieve sustainability and access to adequate, affordable and quality long-term care, with an increasing focus on prevention. This may imply a shift from a primarily reactive to an increasingly proactive policy approach and boost effective and good quality long-term care, and integration of the health and social care elements of long-term care provision. Social innovation in the long-term care services should be encouraged.
24. Addressing the impact of ageing and promoting longer working lives has driven extensive pension reforms in recent years. These efforts should continue but more needs to be done to ensure the adequacy of future pensions, while preserving fiscal sustainability. Reducing unemployment and encouraging longer stays in labour markets, including through the availability of appropriate work-life balance policies and the modernization of working environments, in respect of health and safety provisions, will be crucial for the future sustainability and adequacy of pension benefits. Supplementary pensions and other retirement savings could also play a positive role in some Member States.

### **Ensuring effective social dialogue**

25. Effective social dialogue, in respect of national practices and contexts, is essential for ensuring fairer and more efficient reforms and increasing ownership of policy making.

### **THE COUNCIL OF THE EUROPEAN UNION CALLS UPON THE MEMBER STATES:**

26. To reflect the priorities of the 2017 AGS, the JER and these Council Conclusions in their National Reform Programmes and to implement the policies necessary to address the 2016 country-specific recommendations.
27. To step up their efforts to achieve the Europe 2020 employment target of a 75% employment rate for men and women and the poverty and social exclusion target of lifting at least 20 million people who are at risk of poverty or social exclusion by 2020.



28. To continue, and where necessary reinforce, the involvement of national parliaments, social partners and civil society in the European Semester proceedings at national level, as appropriate, and to take into account the key messages emerging from EMCO's 2016 review of social partner involvement in the Semester.

#### **CALLS UPON THE EUROPEAN COMMISSION:**

29. To continue strengthening its focus on employment and social issues within the European Semester.
30. To work with Member States in identifying the best ways to support, fund, and effectively implement structural reforms, building on the existing instruments of the European Semester, with a view to facilitating the upward convergence of employment and social outcomes, whilst taking into account the different starting points of Member States and avoiding a 'one size fits all' approach.

#### **CALLS UPON the EMPLOYMENT COMMITTEE and the SOCIAL PROTECTION COMMITTEE:**

31. To continue their work, in cooperation with the Commission, on the development of possible examples of benchmarks related to employment and social policies and outcomes and the exchange of best practices across policy areas.
32. To work closely with the Commission on the European Pillar of Social Rights, announced in the Commission's Work Programme for 2017.
33. To continue their work on multilateral and thematic surveillance to provide the Council with an evidence base for discussions in the European Semester process alongside the monitoring and analysis provided by the Scoreboard of Key Employment and Social Indicators, the Employment Performance Monitor and the Social Protection Performance Monitor, and explore ways of further aligning these latter instruments.

34. To work closely with other advisory Committees and parties in areas of shared competence to ensure comprehensive policy discussions and decisions, especially in the framework of the European Semester, in particular the Economic and Financial Committee, the Economic Policy Committee, the Education Committee, and the Working Party on Public Health at Senior Level, thereby ensuring a balanced consideration of economic, employment and social issues.
  
  35. To build on the positive experience of the first Employment Committee review with social partners on their role at national level in the European Semester.
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