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NOTE

from: General Secretariat of the Council
to: The Social Questions Working Party
on: 25 February 2014

Subject: **The Social situation in the EU**
- Draft Council Conclusions

Delegations will find attached at set of draft Council Conclusions on the above subject, as prepared by the Social Protection Committee.

The Social Situation in the EU

Draft Council Conclusions

1. The Council stresses that the key factor for achieving the Europe 2020 objectives for smart, sustainable and inclusive growth is working toward policy coherence between the economic and social objectives of the Union. Further to their impact on income and living conditions, growing economic and social imbalances weaken the economic strength of the Union and put at test its core values.

A. The social situation in the Union

2. The crisis leaves behind the legacy of fragile growth, too little and often low quality jobs and more people exposed to poverty and social exclusion. The report on the Social Situation in the European Union¹ and the scoreboard of employment and social indicators² show that the social situation in the European Union is not improving while in some countries the situation is even worsening:
 - 2012 survey data indicate that poverty has reached its 6 year-high : close to 25% of the European population was at risk of poverty or social exclusion;
 - Since the adoption of Europe 2020 in 2010, there are 6,6 million more people living in poverty or social exclusion (an increase in more than 1/3 of Member States);
 - In some Member States the annual growth of the relative poverty exceeds 2 percentage points;

¹ Social Europe: many ways, one objective, doc. 6663/14, not yet distributed.

² See Chapter 3 of the Joint Employment Report.

- Rising material deprivation drives down living standards of significant parts of the population in some countries;
 - Income inequality is growing across and within Member States, particularly in the countries that witnessed the largest increases in unemployment.
3. The Council notes however that the employment rate of older workers grew in 25 Member States. Owing to the structural role of pensions, in more than ¾ of Member States the elderly in 2012 were – in relative terms - less exposed to poverty or social exclusion as compared to 2008.
- B. Staying on course with the Europe 2020 Strategy**
4. The Council recalls that in 2010 the European Council set a headline target to lift by 2020 at least 20 million people from the risk of poverty or social exclusion. With its impact on income and living standards, the financial and economic crisis diminished the prospects of reaching this target. Further, the three key functions of welfare policies (investment, automatic stabilisation and protection) promoted also by the Social Investment Package³ were weakened due to the fiscal constraints and protracted recession. Under those circumstances, progress in achieving the EU social inclusion target could not materialise.
5. The Council emphasises that the current situation requires stronger resolve to stay on course with Europe 2020 Strategy and strive to deliver on the target. It is important that Member States strengthen their efforts to contribute to the achievement of that essential EU commitment.

³ Council conclusions "Towards social investment for growth and cohesion", 20th June 2013. See also Council document 13958/2/13 REV2.

C. Ways forward

6. Effective social protection and higher employment rates will further a more competitive and cohesive Europe. Policy efforts should prioritise effective prevention to avoid further worsening of the social situation in the EU, spur human capital investments and support labour market activation.
7. In the short and medium terms, the Council considers that improvements of the social situation should come from more employment particularly for young people and from reduced poverty and social exclusion. To achieve this, growth and social investments are needed. Wage and tax policies should allow earnings and social benefits to interact in a way lifting people out of poverty and making work pay. This is particularly important for low-earnings households with dependent children and for single parents, in particular single mothers. Investing in children and in young people should be a political priority given the long-term gains stemming from their higher labour market participation and educational performance. Policies should facilitate women's entry into professional life and boost their labour market participation. Active labour market policies should be used to enhance the employability of those social groups exposed to long-term unemployment.
8. Further, the effectiveness of social protection should be enhanced also with a view to better address the demographic imbalances that will affect the growth potential, social protection needs and public spending of Member States in different ways, balance the social risks between generations and along the life-course, and reduce growing inequalities that weaken cohesion and hold back upward mobility and growth.

9. Policies should focus on making sure that improving the social situation across the Union becomes a widely shared priority. Structural reforms need to take into account social and employment concerns. Reforms, particularly major ones, should be impact-assessed and sequenced to minimise adverse effects. Where reforms entail trade-offs, those at greater risk of poverty and social exclusion should not bear the brunt of economic adjustment.
 10. The Council shall assess the social situation in the EU annually and provide guidance on how to address the social trends to watch. It reiterates its request to the Commission to propose a joint social protection report as a further reinforcement of the social dimension of the Economic and Monetary Union.
 11. The Council [*if required, the Presidency will add text after the publication of the Commission document on Europe 2020*].
 12. The Council invites:
 - Member States to review and strengthen their efforts to reduce poverty;
 - the Social Protection Committee to prepare a report on the social dimension of the Europe 2020 Strategy. The Council shall hold a first discussion on this issue in June 2014.
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