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**NOTE**

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From: Presidency  
To: The Working Party on Social Questions  
Subject: Towards Making-Work-Pay Strategies  
- Draft Council Conclusions

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Delegations will find attached a set of draft Council Conclusions prepared by the Presidency with a view to the meeting of the Social Questions Working Party on 5 May 2017.

## Towards Making-Work-Pay Strategies Draft Council Conclusions

### CONSIDERING THAT

1. Unemployment in the EU 28 remains higher than the pre-crisis level, with 20.9 million people unemployed in 2016 of which over 50% have been in unemployment for more than one year and over 20% are under the age of 25<sup>1</sup>. Over 12% of youths aged between 15-24 (2015) were neither in employment nor in education or training (NEET) and therefore are at risk of being excluded from the labour market<sup>2</sup>.
2. While the total number of people at risk of poverty or social exclusion in the EU has declined, the overall rate remains high at 23.7%, with achievements thus far remaining off-track from reaching the Europe 2020 Strategy poverty and social exclusion target of lifting at least 20 million people who are at risk of poverty or social exclusion by 2020. There are also important challenges across different categories, with poverty more predominant amongst the inactive and the unemployed. The proportion of people aged between 18 to 59 living in jobless households stands at 10.6%, which is higher than the pre-crisis level of 9.3% in 2007.
3. Although gender gaps have narrowed, inequalities continue to persist and challenges remain to overcome gender gaps in employment, self-employment, part time work, entrepreneurship and decision making<sup>3</sup>. The biggest gender gap is seen in pay, with one in five women low-paid as compared to just one in ten men<sup>4</sup>.

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<sup>1</sup> Eurostat

<sup>2</sup> Eurostat

<sup>3</sup> Council Conclusions: Response to the Commission's Strategic engagement for gender equality adopted on 16<sup>th</sup> June 2016.

<sup>4</sup> Council Conclusions on Enhancing the Skills of Women and Men in the EU Labour Market adopted on 3<sup>rd</sup> March 2017

4. In this context, making-work-pay strategies provide an effective instrument for socio-economic policies to generate jobs, promote economic growth and to reduce poverty and dependence on social benefits. They can also provide further impetus to the agenda on enhancing the integration of the European labour market.
5. The importance of making work pay is further reinforced by the overall weak growth conditions in the Union, even though recent improvements are registered, constraints on public finances, as well as the emergence and further entrenchment of new socio-economic realities associated with migration, changing demographics and new forms and conditions of work. These issues are in practice being reflected in persistent challenges and unresolved problems, to a varying degree across Member States, related to still high unemployment and rising inequalities<sup>5</sup>.

## **THE COUNCIL OF THE EUROPEAN UNION**

### **REAFFIRMS**

6. The pledge of Member States, the European Council, the European Parliament and the European Commission in the Rome Declaration to work towards a Social Europe: a Union which, based on sustainable growth, promotes economic and social progress as well as cohesion and convergence, while upholding the integrity of the internal market; a Union taking into account the diversity of national systems and the key role of social partners; a Union which promotes equality between women and men as well as rights and equal opportunities for all; a Union which fights unemployment, discrimination, social exclusion and poverty; a Union where young people receive the best education and training and can study and find jobs across the continent; a Union which preserves the cultural heritage and promotes cultural diversity<sup>6</sup>.

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<sup>5</sup> State of the Union Address 2016: Towards a Better Europe – A Europe that Protects, Empowers and Defends.

<sup>6</sup> Rome Declaration adopted on 25<sup>th</sup> March 2017.

## STRESSES THAT

7. Making work pay can contribute to forging a stronger and more resilient Social Europe.
8. Enhancing employability, ensuring inclusive labour market participation and incentivising work must remain high on the agenda across all Member States. In this regard, examining the wider context of active labour market integration is a crucial element in ensuring long-term results which foster competitiveness, labour market sustainability and inclusion.
9. Sustainable and long-term making-work-pay measures require a multi-dimensional and integrated policy approach which, while taking into consideration the need for a dynamic labour market which provides quality jobs, uses a three-tiered strategy based on investing in lifelong learning opportunities in order to keep the workforce highly skilled, making employment more attractive to reduce reliance on social protection as well as investing in adequate and affordable support structures to balance work and family responsibilities.

### **Building dynamic labour markets through investment in a knowledgeable and skilled work force**

10. The issue of skills mismatches has become more prominent due to demographic changes, globalisation and technological changes. Mismatches hinder the continuous development of indigenous knowledge in Europe which is essential to adapt to changes, retain competitiveness and ensure that the EU maintains its regional and global standing.
11. Effective making-work-pay strategies must be underpinned by approaches for investing in human capital which equip persons with the tools and skills necessary to reap the benefits from participation in the labour market. Developing an empowered labour force through enhanced skills constitutes the grassroots for an active workforce and a robust labour market which is able to deal with continuously evolving international trends and challenges posed by the changing nature of work.

12. The acquisition of skills related to literacy, numeracy and digital abilities is crucial. Opportunities for up-skilling, multi-skilling and the acquisition of transversal and innovation abilities within a life-long learning framework should be available to proactively meet the changing needs of individuals over the employment cycle and the rapid dynamics of the labour market.
13. Investment in skills improves the competitiveness of workers and enterprises in the labour and product markets. This approach should be delivered under frameworks which provide the necessary balance between training/education, work and life commitments of individuals. This calls for active and effective partnerships between stakeholders in education, employment and social policies. It also requires support for strategic investment in education.
14. The link between education and employment needs to be strengthened, with further emphasis required to enhance the role of high-quality work-based learning, apprenticeships, traineeships, internships and other forms of school-to-work transition.
15. Wider recognition and validation of such forms of learning, including non-formal and informal learning is furthermore required as part of an integrated effort to bring learning pathways closer to the emerging market realities and contemporary industry trends as part of a concerted effort to address the skills deficit, enhance labour productivity, foster competitiveness and innovation.
16. Nurturing the potential of a dynamic workforce also rests on further understanding the importance of fostering values for active and democratic citizenship in order to create the space for the growth of creativity, entrepreneurial and civic skills necessary to complement sustainable economic growth and guarantee long-term labour market engagement.

### **Making employment more attractive than reliance on social protection**

17. Adequate income from quality jobs is fundamental to making work pay. Tax and social security arrangements including, where applicable, in-work benefits need to be consistently focused on providing the right incentives for participation in the labour market, especially with regard to household second earners.

18. A combination of universal and targeted measures is required, providing a mix of effective activation, adequate income support and access to quality social services. A multidimensional approach is to be adopted which includes a flexible set of measures based on the specific socio-economic situation of Member States.
19. Individualised approaches can be an effective way of ensuring sustainable labour market integration through customised packages of services. This could be best accomplished through an integrated approach which requires enhanced cooperation and coordination of stakeholders, in particular employment and social services.

### **Investing in support structures to balance family and work responsibilities**

20. The success of making work pay depends on complex interactions of a number of structural, psychological and social factors which influence labour market relationships.
21. The provision of affordable and quality childcare facilities and care services is necessary to overcome costs and resulting obstacles faced by carers seeking employment and re-employment, especially women.
22. Institutional and legislative frameworks should support both women and men in the reconciliation of work, family and private life while encouraging the equal sharing of responsibilities for the care of dependents.
23. Family-friendly measures and flexibility in working arrangements should be better integrated into policies aimed at promoting inclusive employment.
24. There is scope for a better-targeted use of EU financial tools to support Member States in the creation of structures which improve the work-life balance of parents and carers.

## **Labour Markets and Social Dialogue**

25. Making work pay is conditional upon the presence of decent working conditions that: (i) are consistent with the proper functioning of the Single Market and the freedom to provide services across borders; (ii) span across different types of working arrangements, and (iii) make a contribution to the welfare of vulnerable groups.
26. The provision of sufficient, adequate and accessible information on working conditions is key to ensure the effectiveness of employment policies.
27. Social dialogue has a key role to play in delivering upon the expected results from making-work-pay policies by contributing to adequate framework conditions for the design and implementation of employment policies.

### **CALLS UPON THE MEMBER STATES:**

28. To strengthen efforts towards the attainment of priorities and targets established through the Europe 2020 Strategy, the Employment Guidelines, the Joint Employment Report, and the present Council Conclusions in their National Reform Programs while implementing effective policies to address country-specific recommendations.
29. To consider the outcome of the Employment Performance Monitor, the Social Protection Performance Monitor and the multilateral surveillance work of EMCO and SPC in the design of their policies.
30. To enhance policy reforms which are based on making work pay through an active inclusion approach while increasing the promotion of incentives to work in a manner which addresses inequalities in the labour market, and to actively seek to reap the benefits which making-work-pay approaches can offer in this regard.

31. To incorporate the acquisition of skills, values and knowledge into the socio-political dialogue on the future of making work pay as part of a concerted effort to address imminent skills gaps and mismatches whilst generating better quality work and personal well-being.
32. To maintain efforts to ensure that social protection systems deliver social outcomes which are sustainable and which encourage employment and growth through making-work-pay approaches.
33. To favour initiatives aimed at augmenting the income of low wage earners, especially to families with children.
34. To focus on the promotion of gender equality and the reconciliation of family and work through investment in support schemes, social and care services by adopting appropriate strategies as identified in the Commission Communication on the initiative to support work-life balance for working parents and carers.
35. To strengthen efforts towards balancing labour demand and supply, whilst focusing on sustainable and quality jobs.
36. To engage with social partners in the design and implementation of policies to ensure ownership and effective implementation.

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

37. To further sustain its renewed focus on employment and social issues within the European Semester and continue translating the Europe 2020 Strategy into concrete policy recommendations to improve working and living conditions of people living in the EU.
38. To make full use of monitoring mechanisms related to employment, poverty and social exclusion while supporting the exchange of experiences and best practices on the adoption of effective reforms and innovative approaches, with specific focus on the social and economic positive effects which can potentially be obtained through making-work-pay approaches.



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

39. To work, in cooperation with the Commission, on multi-lateral surveillance and the exchange of best practices across policy areas, building on the existing thematic analysis framework, particularly in the context of effective policies aimed at the design and implementation of making-work-pay strategies.
  
40. To focus attention on employability, labour market participation and the incentivisation of work as key priorities on its work agenda.

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## REFERENCES

### Council

- Council Conclusions on the 2016 Annual Growth Survey and Joint Employment Report adopted on 3 March 2017.
- Council Conclusions: Response to the Commission's Strategic engagement for gender equality adopted on 16th June 2016.
- Council Conclusions on Enhancing the Skills of Women and Men in the EU Labour Market adopted on 3rd March 2017.
- Council Conclusions on the Integration of the Long-Term Unemployed into the Labour Market, adopted on 15 February 2016.
- Council Conclusions on Combatting Poverty and Social Exclusion: An Integrated Approach adopted on 26 May 2016.
- Joint Employment Report from the Commission and the Council (2017).
- Long-term unemployment Council Recommendation.
- Education, Youth, Culture and Sport Council, Connecting education, the labour market and society, Towards a New Skills Agenda in Europe (2016).

### Commission

- Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on an initiative to support work-life balance for working parents and carers. COM (2017) 252 final.
- European Commission, Making Work Pay: A Conceptual Paper/Research Note 3/2016.

### Other

- State of the Union Address 2016: Towards a better Europe - a Europe that Protects, Empowers and Defends
- Social Protection Committee, Annual Report (2016)