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

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Delegations will find attached the draft Council conclusions on the above subject. The text, tabled at the initiative of the Maltese Presidency, was finalised by the Social Questions Working Party based on input from the Employment Committee (EMCO) and the Social Protection Committee (SPC).

The Permanent Representatives Committee is invited to forward the draft Conclusions to the Council (EPSCO) for adoption at its session on 15 June 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 almost 50% have been in unemployment for more than one year and over 20% are under the age of 25.<sup>1</sup> About 11.5% of youths aged between 15-24 (2016) 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 poverty and social exclusion target. There are also important challenges across different categories, with poverty more predominant amongst the inactive and the unemployed.
3. Although gender gaps have narrowed, inequalities continue to persist and challenges remain to overcome gender gaps in employment, self-employment, involuntary part time work, entrepreneurship and decision making.<sup>3</sup> The biggest gender difference is seen in pay, with one in five women low-paid as compared to just one in ten men.<sup>4</sup> This results in unequal treatment between men and women to access the labour market over the course of one's **professional** life, leading to a gender gap in pensions and a higher risk of poverty.

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<sup>1</sup> Eurostat: Data accessed on 4 May 2017.

<sup>2</sup> Eurostat: Data accessed on 4 May 2017.

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

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

4. In this context, making-work-pay strategies are needed to promote the creation of quality jobs<sup>5</sup> and increase the inclusiveness of labour markets, by removing barriers to labour market participation, tackling labour market segmentation and ensuring that social protection systems provide adequate income support and enabling services to all while encouraging transitions into employment and making work pay.
5. In accordance with the recommendations on active labour market policies, making-work-pay strategies can provide an effective instrument for socio-economic policies to promote growth, generate quality jobs<sup>5</sup>, reduce poverty, inequality, social exclusion and long-term benefit dependency. They can also provide further impetus to the agenda on supporting active labour market participation and enhancing the inclusion of the European labour market.
6. The importance of making work pay is further reinforced by the emergence of new socio-economic realities associated with migration, changing demographics, digitalisation, atypical employment and new forms of work.

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

### **STRESSES THAT**

7. Making-work-pay strategies, combined with effective macroeconomic policies to generate employment, can contribute to forging a stronger and more resilient Social Europe<sup>6</sup>.
8. Enhancing opportunities in employment, employability and supporting labour market participation must remain high on the agenda across all Member States. In this regard, examining the wider context of active labour market policies is a crucial element in ensuring long-term results which foster competitiveness, sustainability and active inclusion.

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<sup>5</sup> In line with employment guideline 5 of the Guidelines for the Employment Policies of the Member States.

<sup>6</sup> In line with the Rome Declaration adopted on 25 March 2017.

9. Sustainable and long-term making-work-pay measures require a multi-dimensional and integrated policy approach based on investing in knowledge, skills and lifelong learning opportunities, moving away from long-term benefit dependency through effective active inclusion policies as well as investing in adequate and affordable support structures to balance work, family and private life.

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

10. The issue of skills mismatches has become more prominent due to the increasing pace of globalisation and technological changes. Mismatches hinder the continuous development of 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 investments in human capital which equip persons with the tools and skills necessary to reap the benefits from labour market participation. Developing an empowered labour force, through investments in enhanced skills, constitutes the grassroots for a robust and resilient labour market which can deal with the continuously evolving trends and challenges whilst reaping opportunities.
12. The acquisition of knowledge and skills related to literacy, numeracy, digital abilities as well as entrepreneurial competence is crucial. Opportunities for up-skilling, re-skilling, the acquisition of transversal knowledge and skills and innovation abilities, within a life-long learning framework, should be available without discrimination to women and men to proactively meet the changing needs of individuals over their employment cycle and the rapid dynamics of the labour market.

13. Investments in skills should be delivered under existing Union and national frameworks which provide the necessary balance between education and training, work, family and private life of individuals, and responsibility of employers. This calls for active and effective partnerships between social partners, stakeholders in education and vocational training and employers. It also requires support for strategic investments in education and more effective and quicker introduction of newly arrived third country nationals legally residing in the EU into the labour market.<sup>7</sup>
14. The link between education, vocational training 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.
16. Nurturing the potential of a dynamic and adaptable workforce also rests on further understanding the importance of fostering values for active and democratic citizenship to create the space for the growth of creativity, entrepreneurial and civic skills necessary to complement sustainable and inclusive economic growth and guarantee long-term labour market engagement.

### **Making employment more attractive**

17. Adequate income from quality jobs is fundamental to making work pay. Tax and social protection arrangements including, as applicable, in-work benefits, need to be adequate while consistently focused on providing the appropriate balance between activation measures and income support also for household second earners; this should not impair the sustainability of social protection systems.

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<sup>7</sup> Council Conclusions 6885/2017: "The 2017 Annual Growth Survey and Joint Employment Report: Political guidance on employment and social policies", adopted 3 March 2017.

18. A combination of universal and targeted measures is required, providing a mix of effective activation measures, 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 specific socio-economic situations of Member States.
19. Individualised approaches can be an effective way of ensuring sustainable labour market integration through customised packages of services. This can be best accomplished through an integrated approach which requires enhanced cooperation and coordination of stakeholders, employment and social services, as well as through consultation with social partners. National laws and regulations also play a role in making-work-pay strategies, ensuring that labour market policies and incentives, including those built in the benefit systems, are not misused.<sup>8</sup>

### **Investing in support structures to reconcile work, family and private life**

20. The provision of quality, affordable and accessible childcare<sup>9</sup> and care services is necessary to overcome costs and obstacles faced by carers in employment as well as those seeking employment, especially women.
21. Institutional and legislative frameworks should support both women and men in the reconciliation of their work, family and private life while encouraging the equal sharing of responsibilities for the care of children and other dependents.<sup>10</sup>
22. Family-friendly measures and flexible work arrangements such as telework, flexitime, reduced working hours or job sharing should be better integrated into policies aimed at promoting inclusive employment, following dialogue with social partners. Such policies should ensure that employees with children, and other dependents, are not being discriminated by employers.

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<sup>8</sup> Guidelines number 7 of the Guidelines for the Employment policies of the Member States.

<sup>9</sup> Includes Early Child Care and School-Age Child Care.

<sup>10</sup> COM (2017) 252 final, 26.4.2017 "An initiative to support work-life balance for working parents and carers".

23. There is scope for better-targeted use of ESI funds and for EFSI which could also support Member States in the provision of care services and childcare facilities, which improve the work-life balance of parents and carers.

### **Labour Markets and Social Dialogue**

24. Making work pay is conditional upon the presence of labour market arrangements with fair working conditions that: (i) are consistent with the proper functioning of the Single Market and the freedom to provide services across borders whilst respecting the practices within national labour markets and the autonomy of social partners; (ii) ensure adequate wage levels in accordance with national laws and/or practices; (iii) span across different types of working arrangements; (iv) promote equal opportunities and work for all; and (v) contribute to the welfare of vulnerable groups.
25. The provision of sufficient, adequate and accessible information to workers on working conditions is important to ensure the effectiveness of innovative employment policies.
26. Social partners engaged in dialogue play a key role 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, including measures to support people facing transitions within the labour market.

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

27. 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.
28. 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.

29. To actively enhance policy reforms on making work pay within the context of their national circumstances, through the adoption of an approach based on active inclusion while increasing the promotion of incentives to work in a manner which addresses inequalities in the labour market.
30. To support, within the context of their national circumstances, the acquisition of skills, reskilling, values and knowledge into the socio-political dialogue on the future of making-work-pay strategies as part of a concerted effort to address imminent skills gaps and mismatches whilst generating better quality, decent and dignified work and personal well-being.
31. To maintain, within the context of national circumstances, adequate levels of social protection leading to improved and sustainable social outcomes, complemented by making-work-pay approaches encouraging activation and inclusive growth.
32. To strengthen efforts towards improving the quality of jobs, including fair working conditions and adequate wage levels. This is to be undertaken in a manner which respects the national labour markets and the autonomy of social partners.
33. To consider initiatives aimed at augmenting the income of households on low wages especially for families with children, according to national practice, while respecting the autonomy of social partners.
34. To focus, within the context of their national circumstances, on the promotion of gender equality and the reconciliation of work, family and private life through investments in support schemes, social and care services by adopting appropriate strategies to support work-life balance for working parents and carers in line with the Barcelona Objectives.
35. To strengthen social dialogue and cooperate with social partners in the design and implementation of policies to ensure ownership and effective implementation.



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

36. 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, whilst respecting the competences of Member States.
37. To make full use of monitoring mechanisms, without creating additional reporting requirements, 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 making-work-pay approaches.

## **CALLS UPON the EMPLOYMENT COMMITTEE and the SOCIAL PROTECTION COMMITTEE<sup>11</sup>:**

38. 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.
39. To focus attention on employability, the link between income support, active inclusion and access to services as well as the incentives to work in view of increasing labour market participation as key priorities in accordance with their work agendas.

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<sup>11</sup> The issue of Making Work Pay was discussed within EMCO and SPC Meetings held during the Presidency.

## REFERENCES

### Council

- Council Conclusions on the 2017 Annual Growth Survey and Joint Employment Report: Political Guidance on Employment and Social Policies, adopted on 3 March 2017.
- Council Conclusions: Response to the Commission's Strategic engagement for gender equality, adopted on 16 June 2016.
- Council Conclusions on Enhancing the Skills of Women and Men in the EU Labour Market, adopted on 3 March 2017.
- Council Recommendation 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 16 June 2016.
- Council Conclusions on Women and Poverty, adopted in 8 December 2016.
- Joint Employment Report from the Commission and the Council (2017).

### 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.
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- 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).