



Council of the  
European Union

Brussels, 12 October 2017  
(OR. en)

12741/1/17  
REV 1

SOC 610  
EMPL 469  
ECOFIN 770  
EDUC 355

**NOTE**

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From: The Social Protection Committee  
On: 10 October 2017  
To: Permanent Representatives Committee/Council

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Subject: Key Social Challenges: main messages from the SPC based on the Annual Review of the Social Protection Performance Monitor  
= Endorsement

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Delegations will find the "Main messages on the social situation and priorities for social policy reforms at EU level" as finalised by the Social Protection Committee on 18 September 2017, with a view to their endorsement by the Council (EPSCO) on 23 October 2017.

The full Report can be found in doc. 12741/17 ADD 1.

The Social Protection Performance Monitor (SPPM) Country Profiles annexed to this report are contained in doc. 12741/17 ADD 2 - 6.



### 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 SPC has produced for the Council its annual review of the social situation in the EU and the social policy developments in the Member States, based on the most recent data and information available. On this basis, the SPC highlights the following findings and common priorities for social policy reforms which should guide the preparatory work for the 2018 Annual Growth Survey.
2. The latest update<sup>1</sup> of the Social Protection Performance Monitor points to a continued improvement in the social situation in the EU with most social indicators flagging up positive changes in many Member States.
3. For the EU as a whole the following main *social trends to watch* have been identified:

On the positive side, there are

- rises in household disposable income along with reductions in the risk of poverty or social exclusion driven by significant reductions in the severe material deprivation rate and the share of the population living in (quasi-)jobless households;
- strong signs of reductions in long term unemployment and in youth exclusion, reflecting improvements in the labour market;

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<sup>1</sup> Indicators based on EU-SILC refer to the latest available data which is 2015; indicators based on EU-LFS refer to 2016.

- continued improvements in the labour market participation of older workers.

However, there is

- continued deterioration of the depth and persistence of poverty in a number of Member States, and signs of gaps in the adequacy of social benefits as evidenced in the rise in the poverty risk for people living in (quasi-) jobless households;
  - overall, inequality increases due to the crisis, that have not yet begun to reverse.
4. Looking at the longer-term developments since the start of the Europe 2020 Strategy, for most social areas the situation still remains noticeably worse as a result of the economic crisis. Despite recent improvements, labour market exclusion, especially for young people, increased income inequality, depth of poverty, and challenges related to housing access remain areas of biggest concern. In the same period the relative income and living conditions of the elderly were showing improvements.
  5. The EU continues to be far off-track in reaching its Europe 2020 poverty and social exclusion target, even when the most recent and more encouraging data is taken into account. The latest data shows around 1.7 million more people at risk of poverty or social exclusion in the EU28 compared to 2008<sup>2</sup>, and a total of 118.8 million or close to 1 in 4 Europeans.

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<sup>2</sup> The reference year, due to data availability, for the Europe 2020 social inclusion target adopted in 2010.

6. Nearly half of Member States have substantial room for improvement in terms of the effectiveness of benefits for the working age population. At the same time, in-work poverty remains a key social challenge for a number of Member States, with a potential for mutual learning as other countries register very good outcomes in addressing it. Policy reforms based on the active inclusion approach is important for ensuring better social outcomes, as shown from this year's in-depth thematic review undertaken by SPC on making work pay.
7. As new forms of work are increasing, with an important impact on traditional employment relations, the issue of access to social protection for an increasing part of the working population becomes important. Social protection systems will have to adapt and be better tailored to the contribution capacities and the protection needs of various types of self-employed and atypical workers.
8. There are still over 25 million children in the EU28 living at risk of poverty or social exclusion in 2015, some 0.7 million fewer than the previous year and accounting for around 1/5 of all people living in poverty or social exclusion. Some improvement is seen in recent years but the effectiveness of social protection for children remains an important challenge for close to half of all Member States. Reducing child poverty and breaking the poverty cycle across generations require integrated strategies that combine prevention and support.
9. Inadequate or ill-designed work-life balance policies contribute to women's underrepresentation in the labour market, and in turn women's reduced earnings, lower social security contributions and their higher risk of poverty and social exclusion, especially in old age. As discussed at the dedicated thematic review, compensated, flexible and non-transferable family-related leaves and flexible working arrangements can support women in balancing their family and professional responsibilities while enabling fathers to take up more caring responsibilities.

10. In a vast majority of Member States challenges are identified in relation to poverty or social exclusion for persons in vulnerable situations, such as persons with disabilities, making it clear that the inclusiveness and adequacy of social protection systems is a key challenge across the EU. Social investment and preventive approaches are needed to strengthen all people's capacities to participate actively in society and the economy.
11. Significant differences remain in the access to quality health care among Member States with a strong income gradient. Population ageing and other factors, such as the high costs of innovative technologies and medicines, are putting increased pressure on the financial sustainability of health care systems and the ability to provide adequate healthcare for all. Recognizing Member States' national competence in the delivery and organisation of health services and medical care, further policy efforts 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.
12. Access to adequate, affordable and quality long-term care, with an increasing focus on prevention, remains a priority. This may imply a shift from a primarily reactive to an increasingly proactive policy approach, 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.

13. Addressing the impact of ageing has driven extensive pension reforms in recent years, focusing on equalising retirement ages for women and men and aligning the statutory pension age with life expectancy. The budgetary impact of population ageing poses a significant challenge to the long-term fiscal sustainability of pension system. However, reforms should not separate this from considerations of pension adequacy and the economic, social and political risks associated with the possibility of increasing monetary poverty and social exclusion among older people. An important part of the pension adequacy challenge is gender-specific. Increasing female labour market participation and closing the gender pay gap in order to address the gender pension gap, which remains very high in many Member States, are important aspects of the policy response. The role of social partners in this respect is a key factor for the success of policy reforms.
  
14. Overall, improving the performance of social protection systems in terms of poverty prevention and reduction as well as social investment will be essential to achieve the 2020 poverty and social exclusion target and contribute to upward convergence in the EU. Member States should uphold their efforts and ensure that social protection expenditure delivers better social outcomes while maximising the positive impact on quality employment and inclusive growth.