



**COUNCIL OF
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NOTE

from: Presidency
to: Permanent Representatives' Committee (Part I) / Council (EPSCO)
Subject: The Social Dimension of the EU/EMU
- Exchange of views

Delegations will find attached a Presidency note on "Europe 2020 and the social dimension of the EU/EMU - The Way Forward: strengthening, better coordinating and implementing", for the exchange of views on the above subject at the EPSCO Council on 19 June 2014.

EUROPE 2020 and the social dimension of the EU/EMU

The Way Forward: strengthening, better coordinating and implementing

Presidency steering note

1. Four years after the launch of the Europe 2020 strategy, data show that the EU is experiencing a “sluggish” recovery. This substantially affects the dynamics within the Union and could jeopardise the desired path towards sustainable and inclusive growth.

The social components of the EU 2020 strategy have experienced significant pressure due to the crisis: income inequality and wage polarisation have worsened, unemployment, in particular youth unemployment, and long term unemployment constitute major challenges in the Member States mostly affected by the crisis with the share of jobless households at high levels. The implications of these developments in terms of poverty and social exclusion and their negative effects on the growth potential still constitute major obstacles to reaching the EU social targets.

In addition, the divergences in the EU are increasing as shown by the Social Protection Performance Monitor (SPPM), while the living standards deteriorate. Income inequality is growing across and within Member States particularly in the south and periphery, while the growth of disposable household income in Europe lags behind GDP growth since 2010. The EU is drifting away from the 2020 target (trajectory) on poverty reduction. At the same time child poverty has reached alarming levels as shown by the relevant indicator, which has increased significantly between 2008 and 2012.

2. The Europe 2020 Strategy should continue to provide member states with the right framework to improve the capacity of social protection systems to smooth social disparities (across and within member states) and to focus on investing in human capital development and on activating labour market participation.

In the context of the European Semester, we discussed how more and better targeted efforts can be made in order to meet our commonly agreed targets. To achieve this, the European Semester framework provides not only an effective tool for economic coordination, but it can also allow for developing the appropriate tools to efficiently face social distortions as we move beyond the traditional macroeconomic and employment concerns.

The social investment package is one source of inspiration at our disposal, while the available control mechanisms are being improved. The adoption of the social scoreboard is a significant step in that direction. Yet, the short term effects of the crisis still have to be dealt with.

Furthermore, minimum income schemes in times of economic recovery constitute a social investment element that enhances social cohesion. Such schemes can become a powerful tool for achieving the European goal of combating poverty and social exclusion. As it was concluded by the Informal EPSCO meeting in Athens, the Member States with the most developed social protection systems are the ones with the most competitive economies. The minimum income schemes are in accordance with the basic principles of equality, dignity and solidarity.

3. As mentioned in the Council conclusions of February 2013, it is a matter of collective interest to the EU that Member States address employment and social challenges by implementing structural reforms. Social protection policies provide powerful instruments to foster economic and social developments, guaranteeing an inclusive and sustainable growth path.

In that context, the Council mandated the SPC to prepare reports on the social dimension of the Europe 2020 Strategy and on ex-ante coordination of major social policy reforms falling under the responsibility of the EPSCO Council. The SPC will also be presenting a report, accompanied with key messages, on adequate social protection for long-term care needs in an ageing society.

In addition, following our informal meeting in Athens, the Greek Presidency has requested the SPC to prepare for our Council a report on minimum income schemes in the Eurozone.

Against this background, and taking into account the SPC reports, Ministers are invited to address the following issues:

- 1. What kind of policies are the most appropriate to better address the social challenges that Member-States are facing due to the crisis? How can we ensure that the benefits of the recovery that is taking place will reach every European citizen?*
- 2. Given the fact that a mid-term review of Europe 2020 is imminent, what is the role of social policies in reaching the EU headline target? Would Ministers agree that well-designed minimum income schemes, i.e., activating, enabling and adequate, improve the functioning of the labour market and the economy?*
- 3. With a view to the social dimension of the EMU how would Ministers propose to look at minimum income schemes in EU Member States within the SPC working programme?*
