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COVER NOTE

from: The Employment Committee and the Social Protection Committee
to: Permanent Representatives Committee (Part I) / Council (EPSCO)
Subject: European Semester 2014: Contribution to the European Council
(Brussels, 26-27 June 2014)
(d) Scoreboard of employment and social indicators
- Endorsement of the joint EMCO and SPC opinion

Delegations will find attached the above-mentioned opinion with a view to the EPSCO Council on 19 June.

The report from the SPC indicators' subgroup is to be found in the Addendum to this document.

Joint SPC/EMCO opinion on the scoreboard of key employment and social indicators for the June EPSCO Council

The Scoreboard of Key Employment and Social Indicators is one of the instruments contributing to the strengthening of the social dimension of the EMU and the European Semester. The European Council agreed that the scoreboard should be used as early as the 2014 European Semester. The scoreboard was approved by the EPSCO Council in December 2013 and subsequently firstly presented as part of the 2014 Joint Employment Report (JER).

As highlighted by the 2014 JER, "The scoreboard ensures greater visibility and makes it easier to identify major employment and social trends that may affect the good functioning of the EMU and may warrant a closer follow-up within the European Semester." The JER also stressed that "as part of an on-going process further work will be needed by the Commission together with the Employment Committee (EMCO) and the Social Protection Committee (SPC) to improve the scoreboard for future editions, potentially including the choice of indicators, and taking account of the views of the European Parliament, the social partners and other stakeholders."

This contribution summarizes the views within EMCO and SPC on both the use of the scoreboard and on the choice of indicators. Having taken advice from the SPC and EMCO Indicators' Groups, and having consulted the social partners, the Committees wish to stress that:

- The scoreboard is an important step forward in terms of **granting political visibility for employment and social challenges** in relevant Member States and aiming to identify the most serious problems and developments at an early stage.
- The role of the scoreboard is to **be an instrument identifying the main trends pointing to relevant employment or social developments such as divergences or imbalances within the EU**. It does and should continue to consist of a limited number of headline indicators. Following the decision of the Council on 10 March 2014, the choice of six indicators is currently the following:

- Unemployment rate (15-74 age group);
 - Youth unemployment rate and NEET rate (young people not in education, employment or training)(15-24 age group);
 - Real change in gross household disposable income;
 - At-risk-of-poverty rate for the working age population (18-64 age group);
 - Income inequalities (S80/S20 ratio).
- Ongoing work in the SPC and its Indicators' Group can feed into a future reflection on the list of social indicators included in the scoreboard. The scoreboard does not and should not contain supplementary, secondary or auxiliary indicators.
 - SPC and EMCO retain that **the scoreboard should be a fully integral part of the Social Protection Performance Monitor (SPPM) and the Employment Performance Monitor (EPM)**. This would allow for a coherent and differentiated diagnosis which builds on the different functions of the existing monitoring instruments, while avoiding overlaps and confusing messages. This will also allow using the concise nature of the scoreboard in terms of its communicative capacity while not losing on the necessary in-depth information on the social and employment challenges faced by Member States and available through the SPPM and the EPM. The breakdown of indicators (by gender, age and/or other factors) as provided by the EPM and the SPPM also helps to reflect the specific situations of key segments of the population.
 - **The scoreboard is considered part of an assessment leading to further in-depth analysis.** Potentially worrisome trends will be substantiated by looking at the results of the SPPM, the EPM and the JAF. This will reinforce the role of the scoreboard in the Committees' multilateral surveillance work and the related thematic reviews.

- The scoreboard is a new tool within the European Semester. The Committees commit to regularly review the scoreboard as an integral part of their existing monitoring instruments. They welcome the possibility of this being done in the context of the mid-term review of the Europe 2020 strategy, so that the scoreboard fully attains its potential. This would also provide opportunity to further take into account the views of the European Parliament, the social partners and other stakeholders.
- While the scoreboard should fully play its role in the European Semester, EMCO and SPC stress that the formulation of country-specific recommendations should continue to be based on a broad assessment of the existing comprehensive employment and social monitoring instruments and the policy response by Member States. **The scoreboard should not lead to any mechanical or automatic triggering of recommendations.**
- Further work is necessary to fully develop the methodology of reading the scoreboard. The SPC Indicators' group agreed that it would be feasible to use the already approved SPPM methodology for the reading and interpretation of the social indicators in the scoreboard. The SPC Indicators' group proposes that social indicators are read jointly in terms of their levels and the year-on-year statistically significant evolutions in the two most recent years¹. This approach would, on the one hand, allow identifying worrying deteriorations in the most recent year, according to the early alert function of the scoreboard, and, on the other hand, signal smaller but persistent negative evolutions in two consecutive years. The EMCO Indicators' group examined this approach, and agreed that it can be a source of inspiration for the shared reflection on the reading of the scoreboard, including of the employment indicators.

¹ See Council document 10337/14 ADD 1.