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from: The Social Protection Committee
to: Permanent Representatives Committee (Part I) / Council (EPSCO)
Subject: Financing Arrangements and the Effectiveness and Efficiency of Resource
Allocation: Joint SPC and Commission report
- Endorsement of key messages

Delegations will find attached the key messages from the above-mentioned joint report for endorsement by the Council (EPSCO) on 9 March 2015.

The full report can be found in doc. 6140/15 ADD 1 and the Country overviews in ADD 2.



Social Protection Systems in the EU: Financing Arrangements and the Effectiveness and Efficiency of Resource Allocation

Report of the Social Protection Committee and the European Commission

Key Messages

- 1. Social protection is an integral part of the functioning of highly inclusive, high performance and high employment social market economies.** The high priority given to social protection in the European Union is reflected in high levels of social spending in most Member States, with an average of almost 30% of GDP spent on social protection. Well-designed social protection systems thereby combine the interrelated objectives of protection, stabilisation, and social investment in a balanced way.
- 2. The imperative of consolidating public finances that results from the crisis now adds to the pressure from demographic ageing on social protection systems,** which will have to deliver adequate benefits and services to a rising number of older people while the working-age population is shrinking.

3. **For the recovery, it is crucial to develop reform strategies that help secure that inclusive economic growth is underpinned by adequate and sustainable social protection systems.** This requires that Member States should seek to raise the effectiveness and efficiency of their systems, including through social investment, which can be beneficial for people of all ages and reduce their need to rely on social protection in the longer run.
4. **Modern social protection policies should support the development and deployment of skills and competences that are key for future growth and competitiveness in a knowledge-based society.** Adequate access to benefits and care services and a more prominent role for prevention and activation measures will help enhance, mobilise and maintain labour force potentials, thereby enabling more people to participate actively in the society and the economy and achieve a good livelihood.
5. **Social protection systems must cover the needs of all age groups in a future oriented way.** The use of social budgets should reflect the life course approach and recognise that adequate social protection in old age depends on investments in a well-educated, healthy and highly productive workforce.
6. **A broadened evidence base is needed for a comprehensive assessment of the functioning of social protection systems.** Progress in the assessment of the financing structure, the effectiveness and efficiency, and the social investment orientation of social protection systems in a current and forward looking perspective is crucial for more informed policy making. This report provides a first step towards a systematic and comparative assessment of the financing, effectiveness and efficiency of social policies in the European Union.
7. **The assessment of social protection should take account of the multi-dimensional processes that lead to social outcomes.** Highly complex in nature, social protection systems consist of a wide range of schemes and policy instruments that follow different and sometimes conflicting objectives. This calls for a broad approach that goes beyond single indicators and explicitly accounts for the multiple objectives of social protection policies and the related social and employment outcomes.

8. **A comparative approach can help identify social challenges at the macro level.** Based on the available pool of EU social indicators, a stylised framework is introduced to shift the monitoring focus from the isolated analysis of specific social protection outcomes towards the assessment of potential trade-offs between different social policy areas, as well as a more integrated approach towards the interplay of fiscal, economic, employment and social policies.
9. **The suggested framework could complement the existing social monitoring instruments at EU level.** The comprehensive illustration of key characteristics of social protection systems in the country overviews could be integrated in the EU social monitoring framework, and in particular in the Joint Assessment Framework. In line with the joint EMCO-SPC opinion on the mid-term review of the EU 2020 Strategy, the SPC-ISG is invited to develop concrete proposals for such integration and more generally for the revision of the EU social assessment instruments in light of the findings of this report.
10. **Evidence from European comparative analysis can identify how social protection arrangements can be made more effective and efficient.** The wide range of existing social protection spending and financing arrangements provides a large repository of different approaches towards the provision of social protection and hence represents an important source for knowledge sharing and mutual learning. An increased transparency and comparability of national social policy arrangements can encourage Member States to look actively for ways of enhancing the effectiveness and efficiency of their systems.
11. **The comparative assessment across Member States needs to be followed up at national and regional levels.** There may be many reasons for why the policies of one country appear less effective or efficient than others. The tool proposed in this report offers a starting point for a deeper analysis of the characteristics of social protection systems and the challenges they are facing. A range of alternative methodologies exist to complement the analysis at the most aggregate level. Generally, EU-level comparisons must be followed up by an in-depth analysis of country-specific circumstances.