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NOTE

From:	Presidency
To:	Council
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Subject:	Draft Council Conclusions on the 2018 Annual Growth Survey and Joint Employment Report

Delegations will find attached the draft Council Conclusions on the above subject jointly prepared by the Employment Committee and the Social Protection Committee. In the light of the discussion in the meeting of the Permanent Representatives Committee (Part I) on 2 March 2018, two additions were made on pages 6 and 7 which are marked in **bold** compared to the previous text (doc 6427/18).

The Presidency recommends the Council to adopt these conclusions as attached at the EPSCO Council session of 15 March 2018.

The 2018 Annual Growth Survey and Joint Employment Report

Draft Council Conclusions

NOTING THAT

1. The employment and social situation continues to make steady improvements, although there remain considerable discrepancies within and between Member States.
2. In the EU, the unemployment rate stood at 7.3% (and 8.7% in the euro area) in November 2017. Employment exceeds its pre-crisis peak by 2.1% in the third quarter of 2017, and youth unemployment and long-term unemployment continue to decline. However, the former is still 16.7%, and the latter accounts for almost half of total unemployment in some Member States. Both remain a significant challenge in a number of Member States.
3. The Europe 2020 Strategy target of a 75% employment rate for men and women may be within reach, although a number of Member States will have to make considerable improvements to achieve their national targets. Labour market participation of women, in particular, will need to be increased. The gender employment gap has remained unchanged: although there are considerable variations between Member States, the employment rate across the EU for women stands at 66.4%, compared to 78% for men in the second quarter of 2017.
4. Household disposable income has continued to rise and has now reached the 2009 peak for the EU, mainly due to higher job creation, and to a lesser extent to wage increases. However household disposable income remains below pre-crisis levels in a number of Member States. The proportion of people at-risk-of poverty or social exclusion continued to decrease and has now reached its 2008 level. This is mainly due to significant reductions in the severe material deprivation rate and the share of population living in (quasi-)jobless households.

5. Despite this positive trend the total number of people at risk of poverty or social exclusion remains at a very high level: 118 million people or 23.5% of the total population in 2016 (22.5% for men and 24.4% for women). This suggests that the EU is a long way from achieving the Europe 2020 target of lifting at least 20 million people out of the risk of poverty or social exclusion.
6. There is a continued deterioration of the depth and persistence of poverty in a number of Member States, and signs of deterioration in the adequacy of social benefits, as evidenced in the rise of the risk of poverty for people living in jobless or quasi-jobless households. The persistence of relatively large income inequalities, often linked to unequal opportunities in access to education, training and social protection, and reflecting poor labour market outcomes, raises major concerns in terms of social inclusion and sustainable economic growth. Children remain particularly vulnerable, as over 25 million or 26.4% remain at risk of poverty or social exclusion in 2016.
7. Employment and social issues have gained increasing prominence in recent Semester cycles. The recent proclamation of the European Pillar of Social Rights has further emphasised the importance of the social dimension of the EU. The aim of the Pillar is to serve as a guide towards efficient employment and social outcomes when responding to current and future challenges which are directly aimed at fulfilling people's essential needs, and towards ensuring better enactment and implementation of social rights. The Pillar serves as a compass for a common approach to the protection and development of social rights and promotion of upward social convergence.

STRESSING THAT

8. Continued economic growth has led to a further improvement in the labour market situation. Job creation continues at a robust pace. However, there is no scope for complacency and upward convergence of employment and social outcomes should be pursued. The continuity in the policy priorities of the Annual Growth Survey is therefore welcomed, in particular the focus on employment and social issues and on the virtuous triangle of boosting investment, pursuing structural reforms, and ensuring responsible fiscal policies.

9. Hours worked per employee have increased at a significantly slower rate than employment levels. Involuntary part-time and temporary work remains high. Labour market segmentation remains very problematic in a number of Member States, although there is considerable heterogeneity in its nature. Wage growth remains subdued and considerable in-work poverty persists. A focus on the quality as well as the quantity of employment, addressing in-work poverty, is therefore important.
10. The changing world of work requires modern education and skills policies, and the strong focus on these in both the AGS and Country-Specific Recommendations for 2017 is therefore very welcome. Particular challenges facing the EU include the strong correlation of educational outcomes and socio-economic and migrant backgrounds, low participation in lifelong learning, skills mismatches and, in some cases, the lack of an adequately skilled workforce. The emergence of new forms of work and the increasing number of transitions in careers may also call for continued modernisation of social protection systems so that all workers, regardless of their employment status, are protected and can fully embrace emerging opportunities, such as those brought about by digitalisation and the social and green economies.
11. Women represent considerable untapped labour market potential; their participation in the labour market should be supported by modern work-life balance policies for women and men, including access to quality and affordable childcare and flexible work, removing, where relevant, fiscal disincentives for second earners, and reducing gender pay gaps.
12. Some groups continue to be insufficiently integrated into the labour market, which hampers the achievement of future increases in the employment rate. There are particular challenges relating to labour market participation of youth, legally-residing third country nationals, older workers, long-term unemployed, and multiply disadvantaged persons, persons with disabilities, and the low-skilled. The specific needs of these groups, where relevant, should be addressed within general labour market and social policies. A balanced approach to social protection and active labour market policies has an important role to play in addressing this problem.

13. Social investment and preventive approaches are essential to strengthen all individuals' capacities to participate actively in society and the economy, thus ensuring better social outcomes and fostering economic resilience and productivity. Effective and efficient social protection contributes to social inclusion and safeguarding living standards, and prevents poverty and inequalities. For those of working age who are excluded from the labour market and who can work, adequate income support should be joined up with quality social services and support for labour market reintegration, including tailored active labour market policies. For those who cannot work, adequate support for social inclusion should be provided. Supporting parents' labour market participation should go hand in hand with policies to promote modern work life balance and access to childcare. Preventive approaches and early intervention should be used to lower the share of children at risk of poverty and social exclusion and to break the poverty cycle across generations.
14. Demographic change will continue to pose major challenges which need to be addressed. Pension adequacy will need to be secured whilst ensuring the sustainability of pension systems. Recent increases to retirement ages and the availability of more flexible working arrangements have helped to increase the labour market participation of older workers, but more remains to be done. Supplementary pensions and other retirement savings could also play a positive role in some Member States. These measures will need to be accompanied by additional measures such as: work-life balance policies; the modernisation of working environments whilst safeguarding quality working conditions; improved awareness amongst employers; and more flexible arrangements for transitions to retirement. Long-term care reforms should aim to achieve sustainability of and access to adequate, affordable and quality long-term care. Access to affordable preventive and curative health care of good quality is also key to fostering a healthy and active population and achieving economic prosperity. Attention should be placed towards the dissemination of information, to encourage appropriate and equal access to healthcare.
15. Effective social dialogue that takes account of the national context and practices is essential for increasing shared ownership of policy-making. Social partners and civil society should be involved in a timely and meaningful way in the Semester process.

THE COUNCIL OF THE EUROPEAN UNION CALLS

UPON MEMBER STATES:

- to reflect in their National Reform Programmes the priorities of the Annual Growth Survey and the Joint Employment Report and implement the European Pillar of Social Rights at Union and Member State level, with due regard to their respective competences
- to implement the 2017 Country-Specific Recommendations
- to step up their efforts to achieve the Europe 2020 targets
- to draw on the Social Scoreboard **as used in the Joint Employment Report 2018 and which will be further refined**, the Employment Performance Monitor, and the Social Protection Performance Monitor to guide their convergence efforts, where appropriate.

UPON THE COMMISSION:

- to maintain its focus on employment and social issues in the European Semester
- to ensure that employment and social issues and impacts are appropriately considered in the assessment of Member States' policies
- to seek active dialogue with Member States on the indicator set of the Social Scoreboard, in full respect of the division of competences

UPON EMCO AND SPC

- to work closely with the European Commission on the implementation of the European Pillar of Social Rights within a long-term framework for action at EU level in accordance with the Proclamation of the Pillar and in line with the Conclusions of the European Council of 14 December 2017

- to continue their work on multilateral and thematic surveillance and benchmarking, and their monitoring of the employment and social situations in Member States via the Social Scoreboard **as used in the Joint Employment Report 2018 and which will be further refined**, Employment Performance Monitor, and the Social Protection Performance Monitor to provide the Council with an evidence base for discussions in the European Semester process
- to work further with the Commission on the refinement of the Social Scoreboard, in particular in the domain of dynamic labour markets and fair working conditions, in view of the adoption of the Joint Employment Report 2019
- to work closely with other advisory Committees and parties, in particular the Economic and Financial Committee, the Economic Policy Committee, the Education Committee, the Working Party on Public Health at Senior Level, and the European Network of Public Employment Services, thereby ensuring a balanced consideration of economic, employment and social issues in the European Semester
- to continue to work closely with European social partners to promote effective social dialogue at both the EU and national levels.
