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From:	The Social Protection Committee
To:	Permanent Representatives Committee (Part 1)/Council
Subject:	Key Social Challenges: Key messages from the SPC based on the Annual Review of the Social Protection Performance Monitor - Endorsement

Delegations will find attached the key messages from the Social Protection Committee based on the Annual Review of the Social Protection Performance Monitor (SPPM) and developments in social protection policies, with a view to their endorsement by the Council on 17 October 2022.

The full Report can be found in doc. 12997/22 ADD 1.

The Social Protection Performance Monitor (SPPM) Country Profiles annexed to this report are contained in docs. 12997/22 ADD 2-4.

Key Messages from the Social Protection Committee

Annual Report 2022

*Review of the Social Protection Performance Monitor (SPPM) and
developments in social protection policies*

KEY MESSAGES

1. **Delivering on its mandate as set out in Article 160 of the TFEU, the Social Protection Committee (SPC) has produced for the Council its annual review of the social situation in the EU and the 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, which should guide the preparatory work for the 2023 Annual Sustainable Growth Survey.
2. **In 2021, growth returned to the EU Member States.** The improving sanitary situation, as well as the coordinated actions at EU and national levels to cushion the impact of the COVID-19 pandemic helped the EU's economy to return to its pre-pandemic output level in the autumn of 2021. Unemployment decreased from a pandemic high of 7.8% in late 2020 to 6.0% in mid-2022. Real household incomes also improved in 2021.
3. **In 2022, Russia's war of aggression against Ukraine has created a new economic and geo-political environment.** The resulting increased energy and commodity prices, supply disruptions and heightening uncertainty threaten Europe's post-pandemic recovery and contribute to the deterioration of the social and economic climate. High energy prices, rising inflation, and the elevated general cost of living could push many households into a precarious economic situation, especially lower income families who spend a higher fraction of their income on energy and food, thus reversing the progress made in recent years in reducing unemployment, poverty and inequality in many countries.
4. **The war has also triggered a massive humanitarian crisis, with more than 12 million Ukrainians having fled their country since the start of the conflict.** The influx of refugees in Europe is straining the capacity of a number of EU countries to absorb and provide protection to those fleeing the war and is placing a great burden on the social protection and social inclusion systems across all of Europe.

5. **Prior to Russia's invasion of Ukraine, generally positive developments in the social situation could be observed, with most SPPM indicators for 2021 mainly flagging up positive changes across Member States, reflecting the impact of the recovery and the contribution of social protection and social inclusion systems, most notably:**
- **reductions in the risk of poverty or social-exclusion** in over a third of Member States, reflecting in particular declines in **severe material and social deprivation** in many countries, but with more **mixed developments** regarding the at-risk-of-poverty rate and the share of the population living in (quasi-)jobless households;
 - **significant declines** in the **depth of poverty** for the general population in around a third of Member States, together with **falls** in the **persistence of poverty** in half the countries, in part reflecting **increases in the impact of social transfers** in a third of Member States;
 - the **situation of children generally improved** in many Member States, as reflected by falls in their risk of poverty or social exclusion, their material and social deprivation rate and the poverty gap for children (although with increases also observed for the latter in 7 Member States);
 - the **situation for youth also improved**, with declines in the NEETs¹ rate and falls in early school leavers in a third of countries;
 - there were continued **rises in the employment rate of older workers** in two-thirds of Member States, reflecting improvements in the labour market in 2021;
 - an **improvement** in the **poverty and relative income situation of older people** (aged 65 or older), with falls in their at-risk-of-poverty-or-social-exclusion rate in close to half the countries.

¹ Those not in employment, education nor training.

6. **Nevertheless, there were some areas to watch concerning the developments in 2021, namely:**
- increases in the **long-term unemployment** rate in close to a third of Member States;
 - rises in the **share of the population living in (quasi-)jobless households** in a third of Member States;
 - mixed developments with regard to **income inequalities**, with declines in a third of Member States but rises in a similar number.
7. **The European Pillar of Social Rights, together with the EU headline targets in the areas of employment, skills and reduction of poverty and social exclusion, included in the action plan to implement the Pillar, sets forth the necessary framework for actions at EU and Member State levels.** The Member States' commitments, presented to the EU employment and social affairs ministers in June 2022, add up to or even exceed the EU headline targets. Since the targets are interdependent and mutually reinforcing, coherent policy actions should be taken across the policy areas. As regards the poverty reduction target, in most Member States the number of people at risk of poverty or social exclusion has remained constant or declined compared to 2019.
8. **In the current volatile environment, the EU and the Member States should continue deploying targeted and efficient policy measures to reinforce social inclusion and social protection and reduce the risks for vulnerable households and individuals.** Measures beyond the social policy domain should also contribute to improving the social situation across the Union. All reforms, including those addressing the green and digital transitions, need to take into account social and employment concerns. Greater use of distributional impact assessments can help prevent adverse social effects.

9. **Further strengthening of the social protection systems is needed to increase their resilience and allow them to withstand current and upcoming challenges.** The process of modernisation, which has been ongoing in many Member States, needs to continue by implementing the active inclusion principles, with emphasis on adequate income support, support for social integration and labour market participation, alongside the provision of affordable and quality services. Ensuring coverage by social protection systems for non-standard workers and self-employed should remain a priority. Efficient policies are needed to tackle the issue of non-take up of benefits, with further simplifications of processes and integration in the provision of benefits and improved transparency of social protection systems, supported by digital technologies.
10. **In view of the social and economic impact of Russia's war of aggression against Ukraine, strengthening of the existing social safety nets, as well as targeted efforts to support the more vulnerable need to be continued.** Measures to mitigate the economic impact of rising energy prices, particularly for low-income households, efforts to combat the rising homelessness and housing exclusion, support for vulnerable families and children, as well as continued support to Ukrainian refugees to access essential services and the labour market should remain priority considerations at EU and national levels.

11. **In the context of an ageing society, changing economy and labour markets, efforts to ensure both the adequacy and sustainability of pension systems should be maintained.** Actions to adjust pensionable age or career requirements, benefits or accumulation rates to reflect the evolution of life expectancy should be complemented by active ageing strategies and flexible working options, including the possibility to combine pensions with income from work, and ensure fair treatment of workers with long careers who entered the labour market early. Policies should also facilitate access to pension systems for people in different forms of non-standard employment and in self-employment. Addressing the persistent gender pension gap will require higher and better participation of women in the labour market, through efforts to address the gender pay gap, supportive policies for persons with care responsibilities – including access to high-quality and affordable care, equal parenting measures to facilitate re-entry into the workforce after a career interruption, as well as care credits or other mechanisms, provided to compensate caregivers (mostly women) for the time spent out of paid work to look after family members.
12. **The COVID-19 pandemic highlighted the need to reinforce the capacity of the national healthcare systems to improve the health outcomes of the population and to better respond to future crisis events.** To that end, stronger integration and coordination between the health and social sectors remains essential. Reorienting service delivery away from hospitals to primary care remains a key priority, including through investments in new primary health care units, increased deployment of e-health solutions and a renewed focus on disease prevention and health promotion. The capacity of the medical workforce should be reinforced, including through increased training opportunities and supporting measures to improve the attractiveness of the medical profession. Aligning incentives at regional and sub-regional levels, as well as national quality assessment frameworks are needed to address the unequal distribution of medical professionals and to ensure equity across regions.

13. **Ensuring access to adequate, affordable and quality long-term care is needed in view of the ageing population in the EU².** The adequacy of social protection for long-term care should be improved, so that long-term care is timely, comprehensive, and affordable to those who need it. Availability of long-term care should be ensured across all settings, including by developing and/or improving home care and community-based care and with particular attention to addressing territorial gaps. High-quality criteria and standards should be ensured in all long-term care settings and quality assurance should be reinforced, to respond to existing structural weaknesses in the provision of care, also reflecting the increasing diversity of care services, care settings and care users' preferences. Person-centred approaches and integrated delivery of services, accompanied by preventive measures and support for independent living in all care settings are needed. Skills needs and worker shortages should be addressed, including by ensuring fair working conditions. Efforts to reinforce provision of high-quality formal care, should be accompanied with measures to provide support for informal carers, including by training, counselling, psychological support, respite care, support for balancing working life and care responsibilities and financial support.
14. **In the wider care context, measures to improve the availability, quality and affordability of early childhood education and care are also needed** to support the development of children's well-being, skills and competences, break the inter-generational transmission of poverty, and support parents' labour market participation
15. **Efforts to improve the coverage and adequacy of social protection, pensions, healthcare and long-term care systems should be complemented with reflections on how to finance those systems, as adequacy and sustainability go hand in hand.** While the balance between various financing sources remains specific to each Member State, continuing the discussions on new and alternative sources of financing would be useful. Members States should continue making use of the existing EU funds, notably ESF+ and RRF, to support their reform efforts.

² Without prejudice to the ongoing negotiations on the *Council Recommendation on access to affordable high quality long-term care* (COM (2022) 441)

16. **The European Semester continues to be an effective coordination tool** for fostering sustainable and inclusive economic growth, competitiveness, employment and adequate social protection and social inclusion. Since many of the reform measures taken by the Member States are part of the national Recovery and Resilience plans, it remains essential that the EPSCO Council and its advisory bodies are kept closely involved in the ongoing monitoring of the implementation of these plans.
17. To strengthen Social Europe and support the implementation of the European Pillar of Social Rights at EU and Member States level, with due regard for respective competences, **constructive dialogue should be maintained between EU institutions, Member States, social partners and civil society organizations.**
18. The European Commission is invited to take into account the above policy guidance in the preparatory work of the 2023 Annual Sustainable Growth Survey.