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'A' ITEM NOTE

From: Permanent Representatives Committee (Part 1)
To: Council

Subject: Draft Council conclusions on the 2020 Annual Sustainable Growth Strategy and Joint Employment Report
- Adoption

1. Delegations will find attached the draft Council Conclusions on the above subject, jointly prepared by the Employment Committee and the Social Protection Committee.
2. In the light of the discussion in the meeting of the Permanent Representatives Committee (Part I) on 11 March 2020, the text on pages 3 and 8 was further amended: changes in relation to the previous version (doc. 6523/20) are in **bold underlined** and deletions are marked [...].
3. The Permanent Representatives Committee (part 1) recommended on 11 March to send the document to Council (EPSCO) on 19 March 2020 for adoption.
4. Following the cancellation of the Council session on 19 March, due to the outbreak of COVID-19, the adoption should be done as an A item in a forthcoming Council session.

Draft Council Conclusions on the 2020 Annual Sustainable Growth Strategy and Joint Employment Report

NOTING THAT

1. The Annual Sustainable Growth Strategy (ASGS) sets out the economic, employment and social policy priorities in the EU and its Member States in 2020, emphasising that economic growth is not an end in itself but must work for the people and the planet. The environmental, technological and demographic transformation requires the transition to an environment-friendly growth, mobilizing innovative digital and sustainable technologies to ensure quality jobs and increase productivity, for a fair and inclusive transition. While transforming our social market economy we need to ensure that Europe remains the home of the world's most advanced welfare systems.
2. These priorities are coherent with the ones set out in the Council Strategic Agenda and by the Commission. To promote a transition towards a climate neutral, fair, inclusive and competitive economy and to jointly pursue the implementation of the principles of the European Pillar of Social Rights and the Sustainable Development Goals (SDGs), well-balanced policy action should be taken on four dimensions: environment, productivity, fairness, and macroeconomic stability. The green transition has the potential to create new jobs and to promote greater well-being, but significant public and private investment will be needed to deal with the short term trade-offs and potential negative impacts and to ensure that nobody is left behind.

3. The European economy continues to expand and the employment rate reached a record high level, but further efforts should be made to tackle the remaining social disparities and inequalities. In spite of the forecasted economic slowdown, the EU is likely to approach 75% employment rate in 2020. The risk of poverty or social exclusion has been decreasing markedly in recent years but the progress achieved is likely to remain considerably below a 20 million decline by 2020. Income inequality also remains high and has increased over the past decade.
4. Europe is making progress in delivering on the European Pillar of Social Rights. Convergence across Member States is taking place on 9 out of 14 headline indicators of the Social Scoreboard accompanying the Pillar. Further investment in skills, accessible, adequate, and sustainable social protection systems, and fighting against poverty or social exclusion are crucial to promote fairness and upward convergence. Active labour market policies should be well-integrated with social policies and promote active inclusion in the labour market and in society.
5. The Europe 2020 Strategy has served as a long-term strategic framework to guide policy-making in the European Semester and in the Employment Guidelines. The Strategy is coming to an end, and building on its achievements and the integration of the principles of the European Pillar of Social Rights in the Semester, **as well as [...] of** the objectives of the UN Sustainable Development Goals **[...]** in a relevant way **is important**. The European Semester should not be over-burdened.

STRESSING THAT

6. To make ambitious climate and environmental policies a success nobody should be left behind. To this end, adequate support for the people and regions which may be negatively affected by the transition towards climate neutrality should be ensured. Similarly, investment in innovative digital and sustainable technologies and skills will be key to harness emerging opportunities.

7. Although continued economic growth has resulted in an improved labour market situation, wage growth remains moderate. In-work poverty is still high in the EU, despite the fact that in 2019, minimum wage levels were increased in most Member States where a statutory minimum wage exists. Addressing in-work poverty requires a multi-dimensional approach that encompasses a wide range of policies. Involuntary part-time work remains high in several Member States, and the spread of atypical forms of work contributes to labour market segmentation. Well-designed employment protection legislation should protect workers while not hampering job transitions nor creating incentives for bogus self-employment. The involvement of social partners is key in that regard.

8. In the context of demographic and technological changes, environmental resource constraints, and geopolitical uncertainties, future prosperity will strongly depend on higher productivity and innovation, which has the potential of compensating for fewer people in the working age population. This cannot be achieved without far-reaching investment in education, training and skills, which substantially influence people's job prospects. Nevertheless, the participation in adult learning, in particular of those with low skills has increased only marginally in the last decade, with only a few Member States managing to achieve a significant improvement. Furthermore, improving the accessibility of quality education and training systems and reducing early school leaving remains crucial to ensure the participation of all in society.

9. Achieving gender equality remains a challenge. Wider access to affordable and quality early childhood education and care and long-term care services, as well as adequate work-life balance policies can support in particular women to enter or stay in employment, with positive outcomes, including for alleviating child poverty. Concrete measures to tackle the gender pay gap, by strengthening pay transparency, are only in place in a few Member States. The labour market situation of young people aged 15-24 continues to improve, yet a considerable part of them remains unemployed or economically inactive in some Member States. Furthermore, labour market integration of under-represented groups, including people with a migrant background, Roma, and people with disabilities, should be strengthened. The capacity of public employment services to provide targeted active labour market policies for different groups of job-seekers has improved, but challenges remain, especially on reaching those furthest away from the labour market and on ensuring better integration and collaboration with social and healthcare services.
10. The favourable economic climate and labour market developments have translated into substantial overall improvements in the social situation, as reflected in general increases in households disposable income and in the decrease of severe material deprivation and to a lesser extent, in the share of people living in (quasi) jobless households. However, both the overall at-risk-of-poverty rate and in-work poverty remained broadly stable and in some countries the household disposable income is not back to pre-crisis levels. Moreover, the impact of social transfers (excluding pensions) on poverty reduction has declined in 2018, and the risk and depth of poverty for persons living in (quasi) jobless households have continued to increase.
11. Some vulnerable groups, such as children, people with disabilities, people with migrant background and of Roma origin tend to face a significantly higher risk of poverty or social exclusion. Homelessness, an extreme manifestation of poverty, has increased over the last decade and poor housing conditions concern a significant share of households in some Member States.

12. The share of the population that is of working age is already declining on average in the EU Member States and is set to decline further, while the old age dependency ratio is expected to increase significantly, putting pressure on social protection systems (including pensions and long-term care services). In this context, it is crucial to take appropriate measures (for example promoting longer working lives), which will contribute to the sustainability and adequacy of pension systems as well as address the issue of a shrinking work force.
13. Adequate access for all to quality health services, long-term care, health promotion and disease prevention, provided by sustainable health systems are essential elements of wellbeing and contribute to the economy and society. Demographic change makes investing in healthcare, long-term care and better occupational health and safety increasingly important. To address this and other challenges, while fully respecting national competences in this field, it is necessary to continue to modernise healthcare and long-term care systems.
14. In line with the emergence of new forms of work, social protection systems are being modernised with a number of Member States extending their coverage and improving their adequacy. In line with national circumstances, access to social protection, should be ensured to all irrespective of their working status.
15. Challenges to social cohesion across and within Member States have increased. In the past decade, inequalities in income and access to basic services and in opportunities have grown within the Member States. The gap between poor and rich regions in Europe is widening. While bringing new opportunities, technological change and the green transition might increase these gaps further and require appropriate investment, as well as continuous efforts towards upward convergence among and within Member States.

16. Well-functioning social dialogue continues to be an essential element of the European social market economy, although, the degree of engagement varies significantly among Member States. The involvement of social partners in the preparation of reforms can improve their design and implementation and eventually lead to better socio-economic outcomes. Consideration should be given to ensuring that social partners have sufficient capacity to participate in the policy debate. Involving civil society organisations also plays an important role in ensuring that reforms are designed and implemented effectively.

THE COUNCIL OF THE EUROPEAN UNION

CALLS UPON MEMBER STATES

- To reflect in their National Reform Programmes the priorities of the Annual Sustainable Growth Strategy and to take into account the findings of the Joint Employment Report.
- To step up their efforts to implement the principles of the European Pillar of Social Rights and contribute to the elaboration of the EU Action Plan to deliver on the Pillar.
- To implement the 2019 Country-Specific Recommendations and, where relevant, the 2019 recommendations for the euro area.
- To draw on the Social Scoreboard, the Employment Performance Monitor, and the Social Protection Performance Monitor to guide their convergence efforts.
- To acknowledge the Sustainable Development Goals in their National Reform Programmes, relevant within the framework of the European Semester.

CALLS UPON THE COMMISSION

- To develop, as a matter of priority a post-2020 [...] **strategy** that includes clear and ambitious employment and social targets, based on the European Pillar of Social Rights and on the results of the Europe 2020 strategy, taking into account the 2019 joint EMCO-SPC assessment, and to involve EMCO and SPC in its development.
- To ensure that employment and social issues are appropriately considered in the assessment of EU and Member States' policies, especially in the context of the green and digital transitions.
- To engage with EMCO and SPC in its upcoming activities aimed at building a stronger social Europe and delivering on the European Pillar of Social Rights.
- To support EMCO and SPC in their efforts to streamline the monitoring tools used in the context of the Semester, while considering the relevant Sustainable Development Goals.
- To publish the Country Specific Recommendations so as to allow for sufficient time for discussions at national and EU level within the Council and its preparatory bodies.

CALLS UPON EMCO AND SPC

- To work closely with the Commission on its upcoming initiatives that support, in particular, the implementation of the principles of the European Pillar of Social Rights and the European Green Deal, and on the development of a post-2020 strategic framework in order to ensure that employment and social impacts are duly considered.
- To continue their work on multilateral and thematic surveillance and benchmarking, and their monitoring of the employment and social situations in Member States and to provide the Council with an evidence base for discussions in the European Semester process.

- To streamline their monitoring tools, used to guide the Member States' efforts towards upward convergence, while considering the United Nations 2030 Agenda for Sustainable development.
- To work closely with other advisory Committees and parties, in particular the Economic and Financial Committees, 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 social partners and civil society to promote effective social and civil dialogue at both the EU and national levels.
