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NOTE

From:	Presidency
To:	Permanent Representatives Committee/Council
Subject:	The implementation of the European Pillar of Social Rights in the context of the European Semester and the future social agenda - Policy debate

Delegations will find attached a Presidency steering note on the above subject, with a view to the policy debate at the Council (EPSCO) on 11 March 2024.

The implementation of the European Pillar of Social Rights in the context of the European Semester and the future social agenda

Policy debate

The 2024 European Semester

The Council Conclusions on the Annual Sustainable Growth Survey 2024¹ and the Joint Employment Report², that are to be approved and adopted by Council respectively, have an overall positive outlook. Although economic activity slowed down in 2023, the EU employment rate reached an all-time high while unemployment fell to the lowest level ever recorded, notwithstanding differences among and within Member States. Inflation, which peaked in 2022, is decreasing.

The historically strong labour market performance is accompanied by persistent labour market shortages. These shortages create bottlenecks to economic growth and competitiveness as well as to social integration and fairness, which were among the central themes discussed in the recent Val Duchesse Summit³. Moreover, not all groups benefit equally from the strong labour market and many continue to experience structural barriers to full labour market integration. These include 8 million young people neither in employment nor in education and training; such data underline the continuing need for a vigorous implementation of the reinforced Youth Guarantee⁴. Additionally, wage increases have remained below the high inflation rates and have resulted in losses in purchasing power, with a disproportionate impact on low- and middle-income households.

¹ Doc. 6791/24.

² Doc. 6073/24

³ Val Duchesse Social Partner Summit - Tripartite Declaration for a thriving European Social Dialogue

⁴ Council document EMCO review of the implementation of the Youth Guarantee – Key Messages doc. 6831/24 and Council Recommendation OJ C 372, 04.11.2020, p. 1.

The share of people at risk of poverty or social inclusion in the EU has remained broadly stable, also thanks to decisive policy action in face of different crises and the effectiveness of social protection systems, despite ongoing challenges to their adequacy and sustainability. Nevertheless, further significant efforts are needed in order to tangibly reduce poverty and social exclusion and to reach the target by 2030. While employment growth contributes positively to poverty alleviation, the benefits are uneven. Energy poverty and housing affordability are persistent challenges. One out of ten persons in the EU live in a household where housing costs represent more than 40% of the total disposable income. High energy prices together with the cost-of-living crisis meant that in 2022 an estimated 9.3% of Europeans were unable to keep their homes adequately warm, compared to 6.9% in 2021.

Looking beyond the EU level, this year's Joint Employment Report has a stronger country-specific analysis on potential risks to upward social convergence, based on the features of the Social Convergence Framework⁵. This analysis concludes that Member States starting with relatively worse overall employment and unemployment outcomes in 2021 have improved more substantially in 2022, which points to convergence on these dimensions. However, there are potential risks to upward social convergence in skills, despite the recent positive developments, which may pose challenges to employability and raise inequalities, unless policy action is significantly stepped up. Finally, social outcomes were broadly stable overall in 2022 despite the multiple crises, but should be closely monitored in light of the high cost of living – and some critical situations in areas such as social protection and childcare are identified.

The Commission intends to carry out a second stage analysis on these potential risks for a number of Member States. At the end of the 2024 Semester cycle, the **Employment Committee** and the Social Protection Committees will have the opportunity to examine the impact of the analysis of upward social convergence based on the features of the Social Convergence Framework, including on their activities, and will inform the Council.

⁵ As contained in the EMCO-SPC key messages reference doc. 9481/23

The strategic agenda

Looking beyond the 2024 European Semester and also taking into account the debates that took place during the informal meeting of employment and social affairs Ministers in Namur on 11 and 12 January, the Employment Committee and the Social Protection Committee submitted, at the request of the Belgian Presidency, an Opinion on the future policy priorities for the Union on the European Pillar of Social Rights⁶. The Belgian Presidency intends to use this Opinion as a contribution to the high-level conference on the Pillar scheduled in La Hulpe on 15-16 April,

As Ministers did earlier, the Committees underline the essential role that the Pillar has played since 2017, and state that the concrete implementation of its principles should remain a key priority for the Union and the Member States, as its principles continue to represent the cornerstone to navigate economic and societal megatrends, shape related policies, promote upward social convergence in the Union, and support progress towards the 2030 EU and national targets. The Committees identify the major challenges stemming from the megatrends of rapid digitalisation, climate change and the demographic evolution.

While the opinion recognises the importance of implementing and monitoring recent legislative and other initiatives, it also underlines the need for action at different policy levels (including through social dialogue) in a number of domains to address persisting challenges which affect all EU Member States and require common responses.

One of the clear priority areas is skills policies – which are central to the current European Year of Skills and will have to play a major role in overcoming both short-term obstacles of skills and labour shortages and insufficient labour market inclusion. Skills policies are also crucial in shaping a fair transition towards a green and digital economy. In this context, the first Pillar principle, which includes the right to training (as underlined in the Val Duchesse Tripartite Declaration), could be made more operational.

⁶ 7005/24

From a Single Market perspective, and taking also into account the report on the future of the Single Market to be presented to the European Council of 21-22 March 2024, further attention is needed to upholding labour rights, improving working conditions, enhancing fair mobility and strengthening social aspects in public procurement rules, as part of the “level-laying field” underpinning it.

Further reflection on how the Pillar can continue to support Member States in facing possible future crises and in making sure that the necessary transition towards a net-zero economy is just and fair⁷, could also be useful. In this respect, and without prejudice to the discussion on the way it was financed, the positive experience of SURE may inspire reflections on the value added of consolidating an instrument to provide support to Member States for short-time work schemes or similar measures aimed at protecting employees and the self-employed in times of transitions.

Governance

On 10 February, a provisional agreement was reached on the economic governance review, which aims to ensure sound and sustainable public finances, while promoting sustainable and inclusive growth in all Member States through reforms and investment.

New medium-term fiscal structural plans are at the centre of the new framework. Member States will design and present plans setting out their fiscal targets, priority reforms and investments, and measures to address any possible macroeconomic imbalances during a fiscal adjustment period. The ‘adjustment period’ refers to the timeframe within which, through a combination of fiscal adjustments, reforms and investments, a Member State's debt level is put on a sustainable downward path.

⁷ See also European Environment Agency, European Climate Risk Assessment

Member States that commit to implementing reforms and investments will benefit from a more gradual adjustment period, extended from four years to up to seven years. These measures have to take into account specific criteria by, notably, addressing country-specific recommendations issued to Member States in the context of the European Semester or targeting the achievement of specific EU policy priorities. These include, respectively, the recommendations on the basis of the employment guidelines (art. 148 TFEU) and the principles of the European Pillar of Social Rights. Moreover, when surveying their implementation, the Commission will include the progress in implementing the principles of the European Pillar of Social Rights and of its headline targets, via the social scoreboard and a framework to identify risks to social convergence⁸. Not less importantly, each of the reforms and investments shall be sufficiently detailed, front-loaded, time-bound and verifiable, which calls for improving statistical capacity impact evaluation methodologies to comply with the new requirements.

The EMCO and SPC joint Opinion on the future agenda stresses the role of the European Semester for the implementation of the principles of the Pillar, building on the earlier Opinion on the value added of social investment and the role of the EPSCO Council filière in the governance of the European Semester⁹, which stated that “the EPSCO Council filière should retain its coordinating and monitoring role on all matters related to labour market, skills and social policies, including in relation to the relevant content of all documents within the framework of the European Semester, according to the relevant Treaties provisions.” It also underlined the necessity of retaining the multilateral nature of the Semester processes. Accordingly, a reflection on the way to achieve this in the context of the new framework could therefore be required. Furthermore, the Opinion coherently calls for the development of common guidelines on methodologies to monitor and evaluate social investments’ and reforms’ economic returns, as well as a strategy to improve accessibility and use of administrative data and joint efforts to improve the timeliness of social indicators.

⁸ Recital 7 further explains this and makes it clear that the “framework” in question is the Social Convergence Framework.

⁹ Doc. 15418/23

Against this background, Ministers are invited to hold a policy debate on the following questions:

1. *How can the EU in the domain of social and employment policies contribute most to tackling the short-term risks to upward social convergence, while supporting the Union's competitiveness?*
2. *What are the key priorities for the future strategic agenda, in particular for achieving the headline targets for employment, skills and poverty reduction, and what role could further initiatives to foster lifelong learning, equal labour rights and support during labour market transitions play in this regard?*
3. *With a view to tomorrow's debate, how could Ministers of social and employment affairs benefit from an enhanced cooperation with Finance Ministers, in which policy areas and why?*