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NOTE

From:	Presidency
To:	Permanent Representatives Committee/Council
Subject:	European Semester 2025: Priorities in employment and social policy - <i>Policy debate</i>

Delegations will find attached a Presidency steering note on the above subject, with a view to the policy debate at the Council (EPSCO) on 2 December 2024.

European Semester 2025: Priorities in employment and social policy*Policy debate*

Ministers are invited to share their views on future priorities in employment and social policies at EU level. Comprehensive and forward-looking reports as well as relevant documents published over the past years have provided valuable inputs to this debate, hence the key messages of some of these reports and documents are highlighted in this note.

The European Semester annual cycle usually begins in November when the European Commission presents the European Semester Autumn Package, including the Joint Employment Report for the labour market, skills and social policy areas. The Autumn Package sets out general economic, employment and social priorities and provides Member States with policy guidance for the cycle ahead. Regarding the 2025 Semester cycle, because of the institutional transition, the Commission decided to publish the Autumn Package later than usual and in two phases: the fiscal related parts of the package at the end of November and remaining elements, including the employment and social related parts once the new Commission takes office. Therefore, this year the Autumn Package is not presented in the meeting of the EPSCO Council in December.

The report¹ of the High-Level Group on the Future of Social Protection and of the Welfare State in the EU (hereinafter: HLG), published in February 2023, analysed the expected impacts of key megatrends on social protection and the welfare state. The HLG highlighted that several global megatrends shape our societies, economies and labour markets. In particular, demographic changes, changes in the world of work, climate change and the green transition were identified, and their impact explored in a life-course perspective. The report underscored the importance of an inclusive and fair welfare state in minimising social risks and mitigating economic hardship, while supporting economic growth and individual well-being. According to the HLG modern welfare states should provide strong buffers against economic shocks and invest in ‘stepping stones’ that help people across critical life-course transitions. Recognising that there are no one-size-fits-all solutions, the report contained a list of 21 recommendations in several policy fields, primarily encouraging Member States to modernise and reinforce their welfare states.

In February 2024 the Employment Committee (EMCO) and the Social Protection Committee (SPC) prepared an opinion² on the “Future policy priorities for the Union on the European Pillar of Social Rights”, which was endorsed by the EPSCO ministers at their meeting in March 2024. The opinion emphasised that numerous EU initiatives had been agreed upon since the proclamation of the Social Pillar in 2017, through the adoption of Council recommendations and other soft instruments which are appropriate and effective tools in providing guidance to Member States in the respective policy areas, as well as through legally binding EU directives and regulations, which have a more direct impact on national legislation. The opinion also stated that the high number of EU initiatives agreed upon since 2017 required further transposition and adequate implementation, and that it was necessary to monitor their effectiveness in light of fast-changing economies and societies, while focusing on reducing administrative burdens.

¹ <https://ec.europa.eu/social/main.jsp?catId=88&eventsId=2057&furtherEvents=yes&langId=en>

² Doc. 7635/24

Enrico Letta's report "Much More Than a Market"³, published in April 2024, highlighted the need to strengthen the social dimension of the single market by ensuring social justice and cohesion. The report stated that three key objectives should be achieved to make the Single Market truly successful and socially sustainable: i) extending the benefits of labour to a larger number of people, ii) avoiding a race to the bottom as well as iii) preserving and consolidating the European market economy.

Mario Draghi's report on "The future of European competitiveness"⁴, published in September 2024, emphasised that the success of the green and digital transitions depends on their being conducted in a socially fair way, with attention paid to securing quality jobs and ensuring enough skilled workers are available to perform them. Given the existing shortages in terms of both jobs and skills, reskilling and upskilling the EU labour force are vital. With respect to the new legislative cycle, the report called for a complete rethink of EU policies related to skills, including strengthening coordination and a better involvement of social partners in the design of education and training policies.

³ <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>

⁴ https://commission.europa.eu/topics/strengthening-european-competitiveness/eu-competitiveness-looking-ahead_en#paragraph_47059

In the “Employment and Social Developments in Europe”⁵ report published in September 2024, the European Commission presented the main economic, labour market and social developments, took stock of socio-economic convergence in the EU and analysed the role of social investments. It highlighted that in the context of a broad economic stagnation in 2023, labour markets continued to be remarkably resilient and social outcomes showed some signs of improvement. In 2023 economic growth in the EU lagged behind other advanced economies, and inflation has been rising since the second half of 2021. Regarding the Union headline targets for 2030, the report states that i) the EU employment rate reached the record level of 75.3%, while the unemployment rate decreased slightly. Companies experienced labour and skills shortages and job vacancies remained at a record high level. ii) Adult participation in education and training remained well below the EU target. In 2022, 46.6% of people aged 25-64 participated in education or training activities, which is due, among other things, to difficulties in accessing quality training courses, scheduling conflicts with other responsibilities, financial barriers or the willingness of potential participants. iii) The rate of at risk of poverty or social exclusion (AROPE) decreased slightly to 2.4% in 2023, but remained high in certain vulnerable groups, and income inequality remained broadly stable, while the rate of severe material and social deprivation increased. The report states that over the last decade, a number of economic, labour market and social outcomes have converged across the EU but differences across Member States remain considerable. The report also highlights the role of social investments and the importance of reforms and investments in key areas such as up- and re-skilling, lifelong learning, active labour market policies, early childhood education and care policies which can be complemented by higher investment in affordable housing and social protection, among others.

⁵ <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8641&>

Regarding future EU-level initiatives, the proposal by President-elect von der Leyen to have an Executive Vice-President in the next College responsible for, among other things, People and Skills, and several other Commissioners dealing with employment, social policies and equality also underscores the increased ambition of the Commission in this area. In order to reach the EU headline targets for 2030 on employment, skills and poverty reduction, the Commission is planning a new Action Plan on the Implementation of the European Pillar of Social Rights, to be presented in 2025. Further new initiatives, such as the Quality Jobs Roadmap, a New Pact for European Social Dialogue, an EU Anti-Poverty Strategy and the European Affordable Housing Plan, are aimed at contributing to reach the EU headline targets.

Related to the policy fields of the EPSCO Council, two key developments concerning the European Semester should be highlighted. Firstly, since the proclamation of the European Pillar of Social Rights in 2017, its monitoring has been integrated into the European Semester, notably by aligning the Employment Guidelines to its principles. This monitoring is carried out by the Joint Employment Report (JER) using the Social Scoreboard. Secondly, in this context and with the aim of strengthening the social dimension of the European Semester and the role of the EPSCO Council in the annual cycles, the 2024 cycle of the European Semester included on a pilot basis an analysis of social convergence based on the features of the Social Convergence Framework (hereinafter: SCF).

The work on the SCF started following the initiative of Belgium and Spain, presented in the EPSCO Council meeting of October 2021, to introduce a “Social Imbalances Procedure”. In line with the mandates received from the French, Czech and Swedish Presidencies, EMCO and SPC carefully reflected on the initiative. First, in their opinion⁶ of 16 May 2022, EMCO and SPC underlined the need for further conceptual and analytical work on key aspects of the initiative, noting that Member States were divided on its possible added value. In light of this, further technical work was carried out by a dedicated EMCO-SPC Working Group with the voluntary participation of 21 Member States and the Commission. Between September 2022 and May 2023, the Working Group studied the possible design and methodology of a “Social Convergence Framework” and prepared a report. Following the examination of this report, EMCO and SPC prepared and endorsed Key Messages on the introduction of a Social Convergence Framework in the European Semester. These acknowledged different degrees of support and uncertainties among Member States. The Key Messages⁷ were presented to the ministers in the meeting of the EPSCO Council in June 2023 and the Council took note of them. In the 2024 cycle of the European Semester, namely in the Commission proposal for the 2024 Joint Employment Report published in November 2023, the Commission included a stronger country-specific analysis on potential risks to upward social convergence, based on the features of the Social Convergence Framework as described in the EMCO-SPC Key Messages. Due to the lack of consensus among the Member States regarding the aforementioned Commission’s proposal, in its related conclusions⁸ the Council took note of it, and called upon the Employment Committee and the Social Protection Committee to assess the impact of the pilot analysis of upward social convergence based on the features of the Social Convergence Framework, including the added value and potential administrative burden. In addition, the Council called upon the EMCO and the SPC to assess its impact, including its added value and potential administrative burden.

⁶ Doc. 9222/22

⁷ Doc. 9481/23 and ADD1.

⁸ Doc. 7665/24

Parallel to the 2024 Semester cycle, as a result of the EU Economic Governance Review, the Council and the European Parliament agreed to include “*a framework to identify risks to social convergence*” in the new Regulation 2024/1263 among the tools at the disposal of the Commission for monitoring the Employment Guidelines and the implementation of the principles of the Social Pillar.

The EMCO and the SPC conducted their assessment between September and November 2024 and presented their main findings in a note⁹ for the attention of the EPSCO ministers, highlighting the experiences, divergencies of the positions of the Member States and adjustments (e.g. regarding the methodology, the indicators, the procedure etc.) needed to improve the SCF. The note also states that while some Member States saw the benefits of the Social Convergence Framework as implemented on a pilot basis in the 2024 cycle, some others have doubts on the value added and ultimate purpose of the Framework compared to previous practices.

In this context, Ministers are invited to exchange views on the following issues:

- 1) *Taking into consideration the above mentioned trends, analysis and suggestions, what priorities would you set for the period of 2024-29 in view of the upcoming new European Pillar of Social Rights Action Plan ?*
- 2) *Based on your experience related to the pilot implementation of the SCF and considering the EMCO-SPC note, do you agree that there is a need to improve the analyses of upward social convergence based on the features of the SCF after the pilot phase? If so, which elements of the analyses should be improved in view of the future cycles of the European Semester?*

⁹ Doc. 15563/24