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#### **OUTCOME OF PROCEEDINGS**

From:	General Secretariat of the Council
To:	Delegations
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Subject:	The 2016 Annual Growth Survey and Joint Employment Report: Political guidance on employment and social policies - Council Conclusions (7 March 2016)

Delegations will find attached in the annex the Council Conclusions on The 2016 Annual Growth Survey and Joint Employment Report: Political guidance on employment and social policies, adopted by the Council at its 3453rd meeting held on 7 March 2016.

## **The 2016 Annual Growth Survey and Joint Employment Report:**

### **Political guidance on employment and social policies**

#### **CONSIDERING THAT**

1. The employment and social situation in the EU is slowly improving and showing signs of convergence, but marked disparities remain among Member States and many economies still face the significant challenges of high long-term and youth unemployment and poverty.
2. There were 21.9 million unemployed people in December 2015 (compared to 24.0 million in December 2014), half of whom had been unemployed for more than one year. Some positive developments related to youth unemployment have been observed, but at 20% (October 2015) the rate still remains very high, and it is above 40% in some Member States, suggesting that more efforts are necessary to avoid the risk of a "lost generation".
3. The total number of people at risk of poverty or social exclusion in the EU stabilised in both 2013 and 2014, but at a high level (24.4% in 2014). The rise over recent years in most Member States, affecting particularly the working age population, and by extension children, has been substantial. Although some of these challenges may have eased recently, they remain significant and need to be tackled urgently. Household incomes in the EU rose in 2014 and in the first half of 2015, benefiting from stronger economic activity and improving labour market conditions. However, further divergence has been observed in relation to those at-risk-of-poverty and inequality.

## STRESSING THAT

4. The continuity in the policy priorities set out in the Commission's 2016 Annual Growth Survey (AGS), which focuses on the three equally relevant objectives of re-launching investment, structural reforms to modernise our economies, and responsible fiscal policies, is supported.
5. The greater focus on employment and social issues throughout the package is positively recognized as this strengthens its inclusive growth dimension.
6. The emphasis on flexicurity, social investment, human capital development and social protection systems, which are financially sustainable in view of demographic challenges and efficiently respond to risks throughout the lifecycle, is particularly welcome. This is accompanied by recognition that action is needed to support job creation and growth, reinforce the adjustment capacity of our labour markets, strengthen upward convergence and enhance social cohesion. While recognising the benefits of a further reduction of the tax wedge on labour, policy guidance on effective and fair tax systems should not overlook the important aspect of social security adequacy and funding, as well as the need to respect the structural differences in social protection systems between Member States.
7. These developments are in line with the policy priorities of the Commission to strengthen the employment and social aspects of the economic governance framework. However, the link between the AGS and the Europe 2020 Strategy and objectives, especially in terms of inclusive growth, should be clarified and reinforced.
8. Commitment to structural reforms should be maintained with a focus on effective implementation, but Member States should have appropriate space to decide on the most relevant policy measures.

9. The impact of the refugee crisis on Member States' employment and social protection systems will need to be monitored and kept under consideration.
10. The December 2015 Council Conclusions on social governance for an inclusive Europe provide specific indications for the way forward in terms of the governance of social and employment policies.
11. The Joint Employment Report (JER) has now consolidated its analysis on the basis of the Scoreboard of key employment and social indicators. This analysis should remain a key element of the strengthening of the social dimension of Europe 2020 and the European Semester. The Scoreboard, along with the Employment Performance Monitor (EPM) and the Social Protection Performance Monitor (SPPM), could be used more effectively in monitoring employment and social developments, including in the context of the Alert Mechanism Report, and throughout the European Semester.

On the basis of the AGS and the JER, the following orientations in the field of employment and social policies are important:

**Support for well-functioning and inclusive labour markets with more attention to job creation and job quality**

12. Job creation should remain as a key focus of reforms, whilst more efforts should be directed at sustainable labour market outcomes, reducing segmentation, tackling in-work poverty and undeclared work, smoothing transitions, income support, enhancing skills and protecting health and safety at work.
13. The role of tax systems should be fully exploited with the aim of reducing disincentives to take up work, as well as decreasing taxation to support job hires. The trend in recent years of increasing the overall tax wedge on labour in a number of Member States needs to be tackled in order to avoid any negative impact on labour demand and labour supply.

14. The movement of wages in line with productivity has been a positive development towards balancing within countries and within the Euro area as a whole: reforms strengthening wage-setting mechanisms that promote the alignment of wages to productivity should be maintained whilst respecting national practices regarding the role of social partners.

### **Further efforts to address youth and long-term unemployment**

15. The positive impact of the Youth Guarantee on reducing youth unemployment and improving school-to-work transitions is acknowledged. A continued focus on its implementation remains essential, including through both EU and national funding.
16. Given that half of all unemployed people are long-term unemployed, the implementation of the Council recommendation on the integration of the long-term unemployed, adopted by the Council on 15 February 2016, should be a priority for Member States, with a view to offering targeted measures supporting re-entry to the labour market.

### **Addressing the gender gap**

17. A comprehensive approach to improve the work-life balance for both men and women, including through the provision of child and other dependents' care services, leave and flexible working arrangements, taking into account the better reconciliation of care and work, avoiding tax disincentives for second earners, and fostering a more equal distribution of family tasks among parents, is necessary to improve the labour market participation of women and to support growth. More visibility should be given to the gender pay and pension gap, and to gender differences in poverty and social exclusion, and more efforts should be made to reduce them. These measures are also of utmost importance for ensuring women have an adequate old age income in the future.

## **Investing in people**

18. Sustained investment in education and training, and better alignment of skills and labour market needs, are necessary as a way to contribute to employment and economic growth, as well as for overall competitiveness in the EU.
19. Promoting social investment, including in healthcare, long-term care, social services, child and other dependents' care, housing support and rehabilitation services, should be used to prevent poverty and social exclusion, should aim at improving people's well-being and should strengthen their current and future capacities to engage and adapt to the labour market. This should lead to better employment prospects, labour incomes and productivity, and strengthened social cohesion.
20. Social protection should be provided in a more flexible, personalised and better integrated way, to promote the active inclusion of those people who are furthest away from the labour market.

## **Promoting adequate and sustainable social protection systems with an emphasis on social investment and social inclusion**

21. Member States should provide effective, efficient, and adequate social protection, starting early and continuing throughout all stages of an individual's life, ensuring fairness and reducing poverty and inequalities. In line with the principles of social investment, which emphasise the importance of well-designed income support systems joined up with high quality activating and enabling social services, social protection systems should enable all people to participate actively in society and the economy.
22. Reforms in health care, which are the responsibility of the Member States, should focus on ensuring sustainable and cost-effective health services, without compromising universal and equitable access, quality and safety, and with an increasing emphasis on prevention.

23. Long-term care reforms should aim to achieve sustainability and access to adequate, affordable and quality long-term care, with an increasing focus on prevention. Transition from institutional long-term care to community-based care should be ensured by accessible and affordable services which facilitate and ease self-care options, and lead to independent living and labour market and social inclusion.
24. While reforms of public pension systems have advanced in most Member States, considerations related to maintaining retirement incomes and ensuring adequate pensions remain an important issue to be tackled. Extending working lives, supported by active ageing policies, providing adequate pension and minimum income benefits, reducing the negative impact of absences from work (e.g. due to childcare or unemployment), where relevant, and providing other means of retirement incomes, for example through complementary pension savings, are concrete ways to address this.

## **WELCOMING**

25. The renewed emphasis on tackling labour market segmentation, adequate wage developments, well-designed income support systems, policies to ease transitions to new jobs, skills and better matching with job vacancies, and the involvement of social partners.

## **THE COUNCIL OF THE EUROPEAN UNION**

### **CALLS UPON THE MEMBER STATES:**

26. To reflect the priorities of the Europe 2020 Strategy, the 2016 AGS, the JER, and the present Council Conclusions in their National Reform Programs and to implement policies to address the 2015 country-specific recommendations.

27. To step up their efforts to achieve the Europe 2020 employment targets of a 75% employment rate and the poverty and social exclusion target of lifting at least 20 million people out of poverty and social exclusion by 2020.
28. To direct substantial efforts towards the implementation of the Council Recommendations on the Youth Guarantee and on the integration of the long-term unemployed.
29. To consider the outcome of the SPPM, the thematic in-depth reviews based on it, the EPM and the results of the multilateral surveillance work of EMCO and the SPC in the design of their policies.
30. To better involve national parliaments, social partners and civil society in the European Semester proceedings at national level, as appropriate.

#### **CALLS UPON THE EUROPEAN COMMISSION:**

31. To maintain its renewed focus on employment and social issues within the European Semester, and to return the Europe 2020 Strategy to the heart of the European Semester.
32. To work with Member States in identifying the best ways to support and effectively implement structural reforms with a view to facilitating upward convergence, whilst taking into account the different starting points of Member States and the feasibility of transferring policy solutions into different national contexts, both of which point to the need to avoid a "one size fits all" approach.

#### **CALLS UPON the EMPLOYMENT COMMITTEE and the SOCIAL PROTECTION COMMITTEE:**

33. To work, in cooperation with the Commission, on the development of possible examples of benchmarks and the exchange of best practices across policy areas, building on the existing thematic analysis framework.



34. To continue developing their work on multilateral and thematic surveillance to provide the Council with an evidence base for discussions in the European Semester process.
  35. To revisit and update previous work in the area of flexicurity in the light of recent experience and of today's challenges.
  36. To work closely with the Commission in analysing the employment and social protection impact of the inflows of refugees into the European Union and on the exchange of best practices in this regard.
  37. To work closely with other advisory Committees and parties in areas of shared competence to ensure comprehensive policy discussions and decisions, especially in the framework of the European Semester, in particular the Economic and Financial Committee, the Economic Policy Committee, the Education Committee, and the Working Party on Public Health at Senior Level, thereby ensuring a balanced consideration of economic, employment and social issues.
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