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Subject:	The 2015 Annual Growth Survey and Joint Employment Report: political guidance on employment and social policies - Council Conclusions

Delegations will find attached the final version of the above-mentioned Council Conclusions, as adopted by the EPSCO Council on 9 March 2015.

**The 2015 Annual Growth Survey and Joint Employment Report:
Political guidance on employment and social policies**

Council Conclusions

CONSIDERING THAT:

1. Economic forecasts confirm that the recovery is slow and fragile, and certainly weaker than was expected a year ago. The deep recession and slow recovery reinforce the negative social developments through high levels of unemployment, falling household incomes and rising poverty and inequalities.
2. Although the unemployment situation seems to have stabilised, there were more than 24.4 million unemployed people in November 2014 – 5.1 million aged between 15 and 24. Long-term unemployment in the European Union (EU) is still rising and is increasingly becoming the predominant consequence of the economic recession. More than half (50.1%) of the EU's unemployed have now been out of work for over a year. High and persistent long-term unemployment combined with unacceptably high levels of youth unemployment are translating a threat of a "lost generation" into a workforce reality.
3. The number of people at risk of poverty or social exclusion in the EU is still at the alarming figure of 24.5% of the total EU population. The Social Protection Performance Monitor (SPPM) shows that the increases in the risk of poverty of the overall population, the depth of poverty, the declines in the gross household disposable income, the increasing number of jobless households and the working poor, and the excessive burden of housing cost, are among the main trends to watch driving living standards downward.

STRESSING THAT:

4. In the context of sluggish economic growth, continued high unemployment, insufficient job creation, and a significant drop in the level of investment across the EU, the policy priorities set out in the Commission's 2015 Annual Growth Survey (AGS), focused on investment, structural reform, fiscal responsibility and growth-friendly considerations are welcome. The renewed focus on the social situation within the AGS, and in particular the Joint Employment Report (JER), and the announcement to strengthen the employment and social aspects of economic governance is an important statement on the policy priority from the new Commission. This is accompanied by recognition that action is needed to address both the demand and the supply side and place priority on measures that also help stimulate job creation and generate entrepreneurship. However, the link between the AGS priorities and the Europe 2020 Strategy and objectives, especially in terms of inclusive growth, needs to be clarified and strengthened.
5. The December 2014 European Council concluded that policy priority should be given to intensifying structural reforms as a key factor for providing the foundation for growth and jobs in Europe.
6. The EU needs more public and private investment. When implementing the newly proposed Investment Plan for Europe, it is important to ensure that new investments promote growth, competitiveness and the creation of additional jobs and that appropriate economic and social impact assessments are carried out on these investments, also by including social and employment policy expertise and criteria in the decision-making process of the envisaged European Fund for Strategic Investment.
7. The JER presents the second Scoreboard of employment and social indicators, which remains a key element of the strengthening of the social dimension of Europe 2020 and the European Semester.

8. On the basis of the AGS and the JER, particularly its' Key Messages, and the strategic guidance provided by the European Council, the following orientations in the field of employment and social policies are important:

Reinforcing labour market dynamism, tackling the high level of unemployment and supporting the creation of quality jobs:

9. *Preventing and reducing long-term unemployment:* through improved efficiency of public employment services, the effectiveness of activation and make work pay measures, and by investing in human capital as well as tailor-made active labour markets policies and integrated social services.
10. *Addressing youth unemployment in all its forms:* The Employment Committee (EMCO) review on the Youth Guarantee has illustrated that Member States are making substantial progress in putting in place a Youth Guarantee but that a number of challenges remain in ensuring the Guarantee reaches out effectively to all those in need, generates sufficient employer engagement, and in balancing the costs of intervening with budgetary restrictions. With youth unemployment at over 21%, Member States need to build upon the progress made in implementing the Youth Guarantee.
11. *Stimulating job creation and improving incentives to work:* through investment, encouraging entrepreneurship, fighting undeclared work, and by reinforcing tax and other incentives, including by reducing the tax wedge on labour. Too little progress has been made in recent years on this particular aspect and there remains room for redesigning tax systems to boost employment and ensure adequate social protection. Reforms in this direction should however take due account that tax systems are about more than just providing incentives to work and that the adequacy and financial sustainability of the European social model and its related distributional impacts need to be given due consideration.

12. *Supporting labour mobility*: The fundamental right to freedom of movement of workers has contributed positively to the economic development in Europe. Supporting labour mobility is important in order to foster jobs and growth while at the same time safeguarding social rights and preventing the abuse of existing rules as well as a potential “brain drain” from certain regions.
13. *Fostering job quality and investing in skills and vocational training* in order to avoid early school leaving and to improve the transition between education and employment and allow for labour market transitions.

Modernisation of social protection systems with an emphasis on social inclusion and social investment

14. The Council fully recognizes the need to improve effectiveness and efficiency of social protection systems while preserving their core functions of protection, stabilisation and social investment. Reforms of social protection systems should also build on the approach outlined in the 2013 Council Conclusions "Towards social investment for growth and cohesion".
15. Investing in social protection systems should ensure an adequate level of protection for all groups of the population and consequently support the universal policies complemented by targeted measures which contribute effectively both to labour market and social inclusion. There has been a strong policy effort to improve activation, access and adequacy of minimum income schemes. To this end, ensuring and improving coverage and take-up of these benefit schemes should be a policy priority through simplifying access to benefits, and giving careful consideration to their adequacy. Continuous support for labour market integration and reintegration through active labour market policies and make work pay principles, should be linked to social protection, thus avoiding loss of human capital.

16. Innovation in health care and long-term care should focus on ensuring universal and equitable access to quality and safety in health services while securing their affordability, sustainability and cost-effectiveness. These innovations may include strengthening of health promotion and disease prevention in all relevant policy sectors, while ensuring integrated health care, enhancing primary health care, early diagnosis, optimising use of specialists and hospital care and securing an appropriate and skilled health workforce. This may also include making better use of eHealth, Health Systems Performance Assessment and health technology assessment (HTA), while ensuring stable and continuous health financing.
17. While reforms of public pension systems are necessary to avoid the impact of ageing, endangering the stability of public finances, there is a growing concern that more needs to be done to ensure the adequacy of future pensions. Moreover, the social and economic opportunities and challenges created by population ageing should equally be recognised. Member States should be given appropriate space to decide on the most relevant policy measures, according to their national contexts and priorities, to ensure proper balance between time spent working and time spent in retirement.
18. In view of social developments, strengthened policy efforts are needed to fight poverty, social exclusion, and inequality. It is recalled that comprehensive strategies, including income support, access to high quality enabling services, adequate social protection, and inclusive labour markets are the most efficient and sustainable ways of fighting poverty and social exclusion. Comprehensive social inclusion strategies support demand, social cohesion and better human capital development, thus not only supporting social objectives, but also sustainable growth.

Giving stronger priority to gender equality

19. The JER contains a welcome analysis and illustration of the importance of gender equality in the labour market. Given the significant potential in terms of employment, economic growth and social inclusion, regrettably not enough attention has been paid to this aspect within the AGS. In this regard, in line with the Barcelona objectives, the first AGS¹ highlighted that tax benefit systems, flexible working arrangements and childcare facilities should be geared to facilitating participation in the workplace and that an exploration of these matters along with the JER analysis is required in the pursuit of EU 2020 employment rate targets. Although some action has been taken by Member States to reduce gender gaps, further progress is needed as pointed out by the JER and in line with the recently adopted G20 goal to reduce the gender participation gap. More visibility should also be given to gender differences in poverty and social exclusion. These measures are also of utmost importance for ensuring women an adequate and sustainable old age provision in the future.

Ownership and improved governance through a streamlined European Semester

20. The Council generally welcomes the proposals to streamline the European Semester, while recalling the joint Social Protection Committee (SPC) - EMCO opinion on the mid-term review of the Europe 2020 strategy and the proposals put forward on the improvement of the governance aspects of the European Semester. It stresses that Ministers in charge of employment and social affairs should continue to be fully involved in the area of their competences both in terms of policy formulation and implementation.
21. In particular it welcomes plans to combine the Staff Working Documents and the In-depth Reviews into a comprehensive analytical document at an early stage as well as the planned earlier adoption of the proposals for Country-Specific Recommendations. Both will allow a more structured and balanced national consultation on the proposals and the analysis supporting them and help ensure better multilateral discussion within Council and a proper exchange in all relevant Council preparatory bodies.

¹ COM (2011)11

22. The content and timing of the submission of the National Reform Programmes (NRPs) needs further reflection, alongside the role of other reporting documents, notably the National Social Reports (NSRs), and bilateral exchanges. In a number of Member States, the NRPs represent a political commitment document which is the result of consultation with social partners and other stakeholders. Any possible change in their role moving towards short reporting documents should not lose this valuable aspect.

The Alert Mechanism Report scoreboard

23. The Council takes note of the Commission's intention to consider further the role of employment and social indicators in the Alert Mechanism Report and in the analysis of employment and social challenges in the In-Depth Reviews but underlines the need to carefully preserve the nature of the Macroeconomic Imbalances Procedure (MIP), maintaining transparency and consistency among all existing indicators. The use of employment and social indicators in the MIP should remain limited to allowing for a broader understanding of employment and social developments linked to the adjustment of macroeconomic imbalances and be preceded by a careful analysis and full consideration given to the Scoreboard of Key Employment and Social indicators. The EMCO and the SPC should be involved in the use of employment and social indicators within the MIP. Corrective action plans shall take into account the social impact of the policy actions and shall be consistent with the broad economic policy guidelines and the employment guidelines.

THE COUNCIL OF THE EUROPEAN UNION

CALLS UPON THE MEMBER STATES:

24. To reflect the priorities of the 2015 AGS and the JER in their NRPs, and where relevant in their NSRs, and to implement policies to address the 2014 Country-specific recommendations.
25. To consider the outcome of the SPPM thematic in-depth reviews and of the results of the multilateral surveillance work of EMCO and the SPC in the design of their policies.

26. 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:

27. To ensure the close and proper involvement of the EMCO and the SPC in all relevant aspects of a streamlined European Semester, including through the presentation of proposals for country-specific recommendations in good time to allow for a proper national consultation and discussion within the Council and the relevant preparatory bodies.
28. To concentrate the country-specific recommendations on the priority areas without being overly prescriptive as regards policy implementation.
29. Beginning with next year's AGS, the Commission should more clearly emphasize the link between growth and increased labour market participation of women.
30. To develop proposals to help support the long-term unemployed, taking lessons from the introduction of Youth Guarantees across the EU, while fully integrating them into the European Employment Strategy.

CALLS UPON the EMPLOYMENT COMMITTEE and the SOCIAL PROTECTION COMMITTEE:

31. To work on improving the Scoreboard of Key Employment and Social Indicators to broaden the understanding of the employment and social developments and reinforce its coherence with the Employment Performance Monitor and the SPPM, while strengthening, where feasible, synergies between the two instruments, and to assess the social impact of major structural reforms.
32. To work closer with the Economic Policy Committee (EPC) in areas of joint competence in the context of the MIP.

33. To present to the Council their views on any Commission proposals on the role of employment and social indicators in the MIP.
 34. To report to the Council on the In-depth reviews carried out under the MIP, working in close cooperation with the EPC.
 35. To implement reinforced working methods between the Committees and the European Social Partner Secretariats.
 36. EMCO to cooperate with the Education parts of Council and explore ways of improving and better structuring this relationship, with emphasis on building a basis for evidence based debate on human capital issues.
 37. SPC to cooperate with the Working Party on Public Health at Senior Level on issues related to health policies.
 38. SPC to cooperate with the EPC and the EFC on common issues related to age-related expenditures.
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