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NOTE

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

Subject: Draft Council Conclusions on the role of labour market, skills and social policies for resilient economies
- *Approval*

1. Delegations will find attached a set of draft Council Conclusions on “the role of labour market, skills and social policies for resilient economies”.
2. The draft Conclusions were prepared by the Employment Committee and the Social Protection Committee and examined by the Social Questions Working Party on 10 June 2024 (doc. 10644/24).
3. Following the discussions in the Social Questions Working Party, the Presidency presented to Coreper on 14 June 2024 an updated version of the draft Council Conclusions (doc. 10778/24), which however failed to gather the necessary consensus.

4. Building on the positions expressed by delegations in Coreper, the Presidency presents in the Annex to this note an updated version of the text, with modifications made in paragraphs 2 and 6.
 5. The Council (EPSCO) is invited to approve the draft Conclusions in the Annex to this note, at its session on 20 June 2024.
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The role of labour market, skills and social policies for resilient economies

Draft Council Conclusions

1. HIGHLIGHTING the conclusions of the European Council of 17-18 April 2024, which recalled the need to ensure an integrated approach across all policy areas to increase productivity as well as sustainable and inclusive growth in the Union. STRESSING that, in calling for a new European competitiveness deal, the European Council identified fostering high-quality jobs among the key drivers to improve Europe’s competitiveness, notably by stepping up the pursuit of the 2030 headline targets, through reinforced social dialogue, on increased participation in the labour market, reskilling/upskilling and lifelong learning, tackling skills and labour gaps in the context of wider demographic trends, including talent mobility to and within the European Union, and ensuring equal opportunities. TAKING NOTE of the High-Level Report “Much More Than a Market”, which stresses that a further development of the Single Market can only be successful if it includes a genuine social dimension, in line with the principles of the European Pillar of Social Rights. TAKING NOTE of the findings of the 9th Cohesion Report pointing to the importance of equipping regions with the right human capital to be able to unleash their potential and, therefore, contribute to further strengthening the Single Market.

2. REAFFIRMING that progressing on the implementation of the European Pillar of Social Rights – with due regard for respective competences and the principles of subsidiarity and proportionality – can contribute – in view of current and upcoming challenges – to a better functioning of the Single Market, while promoting upward social convergence in the Union. RECALLING, in this regard, the Opinion of the Employment Committee and the Social Protection Committee endorsed by the Council in March 2024 on the future policy priorities for the Union on the European Pillar of Social Rights¹.
3. HIGHLIGHTING the mutually reinforcing nature of people’s wellbeing and economic growth. STRESSING the importance of reforms and investments in the domain of labour market, skills and social policies to foster economic growth on top of pursuing social objectives, notably through their impact on human capital and productivity, including via stronger innovative capacity and a faster absorption of new technologies and/or labour supply.
4. STRESSING, in this respect, that discussions in the Employment Committee and the Social Protection Committee² point in particular at policies that address skills shortages and mismatches (via up- and re-skilling and lifelong learning) and increase labour market participation (via active labour market policies, well-structured tax-and-benefits systems, the provision of early childhood education and long-term care services, and active inclusion and equality policies) as those potentially producing stronger economic effects in the longer term. UNDERLINING that policies preventing illness related to work and reintegrating workers in the labour market after an episode of illness (via healthcare policies, including mental health) may decrease the costs of non-employment and sickness and increase the productivity of the labour force. RECALLING that, moreover, certain social policies can support macroeconomic stabilisation by substantially mitigating social risks and future social expenditures related to the costs of inaction (via short-time work schemes, well-functioning social safety nets and social protection systems, and adequate minimum income schemes).

¹ Opinion of the Employment Committee and the Social Protection Committee on the “Future policy priorities for the Union on the European Pillar of Social Rights”, endorsed by the Council on 11 March 2024 (doc. 7635/24).

² Opinion of the Employment Committee and the Social Protection Committee on the value added of social investment and the role of the EPSCO Council filière in the governance of the European Semester, November 2023 (doc. 15418/2/23 REV 2).

5. HIGHLIGHTING that well-designed labour market, skills and social policies implementing the principles of the European Pillar of Social Rights can support both economic and social objectives. STRESSING that certain employment, skills and social challenges can constitute bottlenecks to economic growth potential and competitiveness, in addition to upward social convergence. EMPHASISING, in full respect of the principle of subsidiarity and the division of competences, the need for ambitious measures addressing the persistent high levels of labour and skills shortages, structural barriers for the full integration of underrepresented groups in the labour market and persons furthest away from it, risks of poverty and social exclusion, and the modernisation of social protection and inclusion systems, including against the background of the green and digital transitions and population ageing. RECALLING, at the same time, the need to consider the different national contexts, the role and autonomy of the social partners, and the importance of improving the efficiency and quality of public expenditures.

6. REAFFIRMING, in this context, that an integrated approach across policy areas can contribute to policy coherence, including in the context of the European Semester. WELCOMING the policy debate at the Council of 12 March 2024 on “Social investments and reforms for resilient economies”, which allowed Ministers of Economic and Financial Affairs and Ministers of Employment and Social Affairs to reflect on the interplay between labour market, skills and social policies, economic growth, and fiscal sustainability, without prejudice to the implementation of the economic governance framework.

7. UNDERLINING the need for enhanced evidence-based policymaking to fully capture the impact of employment, skills, and social policies on economic growth, as well as the possible effects of economic policies on labour market participation, poverty and social exclusion, and inequalities. RECALLING that, despite the advancements in methodologies and data availability, evaluating the economic effects of labour market, skills, and social policies continues to present challenges, for instance in Member States with a high percentage of cross-border workers. STRESSING, in particular, that economic effects depend on the design of policy measures (such as the duration), contextual features (such as in terms of time and specific territorial context), as well as other simultaneous policy measures that should be accounted for. ACKNOWLEDGING that Member States have different country-specific contexts, legal frameworks and administrative capacities, notably specialised human resources, to carry out systematically *ex-ante*, *ex-post*, and continuous evaluations, including in terms of employing advanced methodologies and collecting and using sufficient and reliable administrative data to feed such evaluations. RECALLING, in this respect, the importance of using administrative data and of the timeliness and granularity of EU and national statistics, including by ensuring disaggregation by sex.

8. ACKNOWLEDGING the Voluntary guiding principles for EU Member States for evaluating economic effects of reforms and investments in the labour market, skills and social policy domains developed by the Employment Committee and the Social Protection Committee, which aim at identifying the key features and support a mutual understanding of methodological approaches and modelling techniques, the time horizon of the evaluations, policy complementarities in the methodological approach, the availability of existing indicators, the statistical arrangements and access to data with a view to their potential further developments, and transparency/dissemination strategies.

THE COUNCIL OF THE EUROPEAN UNION invites Member States to:

9. Consider the need to strengthen their capacity to conduct regular impact assessments, mid-term and ex-post evaluations of labour market, skills, and social policies where appropriate, namely by assessing their impact on employment, skills, and social outcomes, as well as on economic growth, competitiveness, and productivity. Use the existing funding and technical support available at Union level to improve their administrative capacity to conduct policy evaluations.
10. Consider the use, when relevant, of the above-mentioned Voluntary guiding principles when designing national policies undertaken to implement the principles of the European Pillar of Social Rights.

THE COUNCIL OF THE EUROPEAN UNION invites the European Commission to:

11. Pursue further work in cooperation with the Member States in particular on the methods and techniques to measure the economic effects of labour market, skills and social policies, where appropriate in liaison with other international organisations and relevant stakeholders, including by promoting mutual learning between Member States, and considering the establishment of a knowledge hub to continue the work launched under the Spanish and Belgian Presidencies of the Council of the EU. Such a knowledge hub would be designed to minimise the possible administrative burden on Member States by drawing on existing sources of knowledge. Consult the Employment Committee and the Social Protection Committee on the design and mandate of the knowledge hub.
12. Reflect on how to support Member States in improving further the production and use of quality socio-economic data by public administrations.
13. In cooperation with the Member States, improve further the timeliness and availability of social indicators at Union level (also in the context of the European Statistical System) including by continuing the work on flash estimates to reduce the time lag in assessing poverty and inequality trends, and reflect on how to support Member States to enhance access to administrative data for policy evaluation and impact assessment purposes while ensuring the protection of personal data.

14. Reflect on how to enhance the technical support available to Member States at Union level upon demand – notably via the Technical Support Instrument (TSI) – to facilitate a systematic production and use of evaluations of the economic effects of labour market, skills, and social policies and impact assessments, including distributional impact assessments.

THE COUNCIL OF THE EUROPEAN UNION invites the European Commission, the Employment Committee and the Social Protection Committee to:

15. Continue the work on evaluating the economic effects of labour market, skills and social policies, to facilitate the policy evaluations and impact assessments conducted by the Member States, building on the above-mentioned Voluntary guiding principles and considering future methodological advancements and progress on the availability of data.
16. Enhance mutual learning opportunities, including by inviting relevant experts, to further improve a shared understanding of how to better estimate the economic effects of labour market, skills and social policies, and to exchange on related national examples.
17. In line with their respective competences within the European Semester, to continue monitoring the effects of the labour market, skills, and social policies implemented by the Member States, supporting the implementation of the principles of the European Pillar of Social Rights, and upward social convergence.

References

European Council conclusions of 17-18 April 2024;

High-Level Report “Much More Than a Market” by Enrico Letta, April 2024;

Ninth Report on Economic, Social and Territorial Cohesion, European Commission, March 2024;

Opinion of the Employment Committee and the Social Protection Committee on the “Future policy priorities for the Union on the European Pillar of Social Rights”, March 2024 (doc. 7635/24);

Opinion of the Employment Committee and the Social Protection Committee on the value added of social investment and the role of the EPSCO Council *filière* in the governance of the European Semester, November 2023 (doc. 15418/2/23 REV 2);

Voluntary guiding principles for EU Member States for evaluating economic effects of reforms and investments in the labour market, skills and social policy domains (doc. 10779/24).
