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From: The Social Protection Committee
To: Permanent Representatives Committee/Council

Subject: Key Social Challenges: Key messages from the SPC based on the Annual Review of the Social Protection Performance Monitor
- Endorsement

Delegations will find the key messages based on the Annual Review of the Social Protection Performance Monitor and developments in social protection policies, as finalised by the Social Protection Committee on 21 September 2019, with a view to their endorsement by the Council (EPSCO) on 15 October 2021.

The full Report can be found in doc. 12174/21 ADD 1.

The Social Protection Performance Monitor (SPPM) Country Profiles annexed to this report are contained in doc. 12174/21 ADD 2-4.

Key messages

1. **Delivering on its mandate as set out in Article 160 of the TFEU, the Social Protection Committee (SPC) has produced for the Council its annual review of the social situation in the EU and the policy developments in the Member States**, based on the most recent data and information available. On this basis, the SPC highlights the following findings and common priorities, which should guide the preparatory work for the 2022 Annual Sustainable Growth Strategy.

Widespread social improvements towards the end of the decade covered by the Europe 2020 Strategy ...

2. **Prior to the outbreak of the COVID-19 pandemic in early 2020, the EU had been experiencing a period of steady economic and employment expansion**, allowing it to recover further from, and even progress beyond, the negative effects of the financial and economic crisis that hit in 2008-2009, around the start of the Europe 2020 Strategy.
3. **During 2019, the EU economy continued to expand** and employment reached the highest level ever recorded, while unemployment in the EU, at 6.7%, returned to levels last observed before the 2008 crisis.
4. With employment having risen strongly, the financial situation of EU households, as reflected in gross household disposable income (GHDI), was improving, which led to **widespread improvements in many of the other social indicators**. This included reductions in the severe material deprivation rate, the housing cost overburden rate and the risk of poverty or social exclusion of the overall population and for children in many Member States. Nevertheless, rises in the poverty risk for people living in (quasi-)jobless households and a worsening in the depth and persistence of poverty in many Member States showed that some aspects of the social situation were still noticeably worse compared to 2008.

5. The **number of people at risk of poverty or social exclusion**, while remaining far from the poverty reduction target set in the Europe 2020 strategy of 20 million fewer people at risk, continued to decline, approaching 10 million fewer people at risk in 2019 compared to 2008 (or approaching 12 million fewer when excluding the UK). This was mainly driven by a strong reduction in the number of people experiencing severe material deprivation and to a lesser extent in the share of people living in (quasi-) jobless households.

... have been halted since the Covid 19 outbreak

6. The widespread positive developments in the social situation were **interrupted and then put into reverse by the crisis caused by the COVID-19 outbreak** and the related containment measures adopted by the Member States to fight the pandemic and protect the lives and livelihoods of their citizens.
7. **The various restrictions on social and economic activities have taken a significant toll on the EU economy.** GDP in Europe declined by 6.0% for 2020 as a whole, despite the strong rebound in Europe's economy in the third quarter of 2020 when restrictions were eased over the summer, before being introduced again to contain the second COVID-19 wave.
8. In the same period, **employment decreased moderately compared to the drop in economic activity, falling by 1.5%** (representing approximately 3 million people fewer in employment) compared to 2019. This relatively mild employment decrease was due to the strong contribution of automatic stabilisers and to the massive introduction of short-time work schemes by the Member States, some of which with EU support through the *Temporary Support to mitigate Unemployment Risks in an Emergency* (SURE), and other similar labour market measures.

Social protection systems have been the main stabilisation factor for household incomes and for supporting continued access to social services...

9. **Social protection systems were the main stabilisation factor in supporting household incomes, as social benefits, including short time working schemes, played a major role in mitigating the overall drop in household incomes in 2020.** Access to social protection systems was often temporarily eased in order to increase the effectiveness of the systems in protecting those who lost their job or income. This was supported to a lesser extent by adjustments to taxes on income and wealth and other rapidly adopted social policy measures.
10. Reflecting this stabilising impact, while the median employment income of the working age population (18-64) is estimated to have decreased by 7.2% in the EU compared with 2019, the median disposable household income as well as the **overall income inequality and at-risk-of-poverty rate, are estimated to have remained broadly stable** (according to Eurostat flash estimates for 2020 incomes), although with considerable variation across countries and age groups.

... but still the current crisis has affected more those who were already in vulnerable situations.

11. Despite the mitigating role played by the social protection systems, the **current crisis has affected more strongly the vulnerable** – including those in precarious or non-standard forms of employment; persons with disabilities and long-term care needs (as well as their carers); younger workers, who are likely overrepresented in sectors impacted more severely by the social distancing measures; families and children in vulnerable positions; homeless persons; migrants; and ethnic minorities. Older persons in particular, or those with underlying health conditions, have been particularly exposed to the health risks posed by the COVID-19 virus. In addition, women, over-represented in critical health and social services sectors and in particular single parent households, have had to cope with an increased workload and care responsibilities during the crisis.

12. In 2021, despite certain improvements in the overall financial situation of the European households, financial distress¹ remains particularly high for those on low incomes, suggesting that **the financial impact of the crisis continues to be felt much more strongly by those in the lower part of the income distribution**. Low-income households often faced more difficulties during the pandemic, as they are more likely to live in overcrowded or poor housing conditions and to lack access to the internet at home.
13. Despite the relatively limited impact of the pandemic on pension systems in the short-term, income inequalities among older people persist, with gender inequalities becoming more pronounced in old age. After a decade of improvement, progress in reducing the risk of poverty or social exclusion for older people in the EU has been halted.

Upcoming developments:

14. Latest forecasts² show that the improving health situation, linked to increasing vaccination rates, and the continued easing of containment measures are putting the EU economies back in motion, with GDP expected to grow by 4.8% in 2021. And while the speed of the recovery will vary across the Member States, **all Member States are expected to see the gap to their pre-crisis output levels close by the end of 2022**.
15. **Employment is expected to take more time to recover to pre-crisis levels**, as there is scope for working hours to increase before companies start hiring again. In addition to the speed of the economic recovery, the labour market outlook will depend also on the timing of policy support withdrawal and the pace at which workers reallocate across sectors and firms in the aftermath of the pandemic and in the context of the green and digital transitions.
16. **Social protection systems, are expected to remain under pressure in the short and medium term**, given the complexity of the challenges and the impact of the COVID-19 crisis on the most vulnerable.

¹ The share of households declaring having to “draw on savings or go into debt to meet current expenditure”.

² [Summer 2021 Economic Forecast: Reopening fuels recovery | European Commission \(europa.eu\)](https://ec.europa.eu/economy_finance/summer-2021-economic-forecast-reopening-fuels-recovery)

Against this background, the following policy guidance is to be considered:

- 17.** To rebuild from the crisis and prepare better for future emergencies, **Member States should continue to prioritise measures to combat poverty and social exclusion, to address rising income inequalities, as well as to enhance the resilience of social protection systems.** National responses should continue to focus on the situation of the vulnerable and include mechanisms to support them.
- 18.** Efforts should be stepped up to provide **strong minimum income protection, linked with access to high quality social services and inclusive labour markets**, in line with the active inclusion approach and with a view to the EU headline target on poverty and social exclusion. In that sense, investment in the social, long-term care and health sectors and in human capital will need to be maintained or expanded where necessary. Such investments would support the recovery and contribute to strengthening the automatic stabilisers, thus making economies and societies more resilient to future crises. For the delivery of social services, social economy organisations can be an important partner for public authorities.
- 19.** The coverage, transferability, adequacy and transparency of **social protection** rights should continue to be addressed in a structural manner, also by considering the temporary measures taken as a response to the crisis. The Council Recommendation on Access to Social Protection for workers and the self employed³ should guide the Member States' efforts. Member States are encouraged to effectively implement the national plans recently submitted under the Recommendation. The impact of the plans should be carefully monitored.
- 20.** Targeted efforts to support **children at risk of poverty or social exclusion**, also in line with the Council Recommendation on a European Child Guarantee⁴, will continue to be required. Comprehensive actions to promote equal opportunities by providing a set of key services for children in need may contribute to breaking the transmission of poverty across generations.

³ [Council Recommendation on access to social protection for workers and the self-employed \(2019/C 387/01\)](#)

⁴ [Council Recommendation establishing a European Child Guarantee \(\(EU\) 2021/1004\)](#)

21. The social inclusion of **person with disabilities** needs to be enhanced, in line with the *European Disability Strategy 2021-2030*⁵, through providing more inclusive education, appropriate access to quality health and long-term care and active labour market policies adapted to their needs.
22. Further efforts are required for the social inclusion of **migrants and refugees**, which will require an integrated approach linking training and skills enhancement with employment opportunities, as well as access to services, notably healthcare and housing.
23. Structural measures are also required to address **homelessness and housing exclusion**. Such measures should prioritise integrated approaches that combine prevention, rapid access to permanent housing and the provision of enabling support services. The construction of new social housing, or access to housing assistance, should be accelerated, or improved, where needed. Member States' vaccination plans should ensure adequate outreach to people in shelters and those experiencing unsheltered homelessness. The potential of the European Platform on Combatting Homelessness to strengthen the cooperation among different stakeholders involved in tackling the issue should be fully utilized.
24. In line with findings from the 2021 joint SPC-Commission Pension Adequacy Report⁶, focus should remain on the **longer-term challenges related to maintaining adequacy and sustainable financing of pensions** in the context of an ageing society and the changing economy and labour market.
25. Member States should continue taking **action to prolong working lives**. Efforts to adjust pensionable age or career requirements, benefits or accumulation rates to reflect increasing life expectancy should be complemented with active ageing strategies and flexible working options, including the possibility to combine pensions with income from work.

⁵ [Strategy on the rights of persons with disabilities \(COM\(2021\) 101 final\)](#)

⁶ [2021 Pension Adequacy Report, prepared jointly by the SPC and the European Commission](#)

26. Sustained efforts are needed to **reduce the gender pension gap**, as well as to ensure adequate coverage and opportunities to accrue pension rights for **non-standard workers and the self-employed**.
27. In the area of **healthcare**, strengthening the resilience, effectiveness and access of the health systems should remain a primary focus of Member States' efforts. The crisis has demonstrated the value of **strong safety nets**, along with the strategic importance of **efficient coordination between social and healthcare systems** for providing access to quality care for all.
28. Renewed focus on **disease prevention and health promotion**, as well as on improving the **provision of primary care**, is needed. This includes ensuring the availability of well-trained and adequately supported **medical personnel**.
29. Innovative approaches in the provision of healthcare could contribute to addressing the shortage of health workers. A mixed approach, **complementing the physical provision of services with digital ones**, may help to promote access to quality healthcare for all. At the same time, additional information and support should be given to those with limited digital skills and limited access to digital infrastructure, to ensure they are not left behind.
30. Beyond the COVID-19 pandemic, and in line with the findings of the 2021 joint SPC-Commission Long-term Care Report⁷, Member States need to significantly step up their efforts to address the structural challenges in relation to **long-term care**. In particular, this entails ensuring the availability of high-quality, affordable and accessible long-term care services to all those in need; addressing the workforce challenges and supporting long-term carers; and enhancing the cost-effectiveness of long-term care in times of rising demand and a shrinking workforce, including through tapping into the potential of digitalisation and focussing on prevention.

⁷ [2021 Long-term Care Report, prepared jointly by the SPC and the European Commission](#)

31. **Measures beyond the social policy domain** should also aim at improving the social situation across the Union as a priority. All reforms, including those addressing the green and digital transitions, need to take into account social and employment concerns. Distributional impact assessments can help prevent adverse social effects.
32. The **European Pillar of Social Rights**, should continue to guide efforts during the recovery period. The three new EU headline targets of the European Pillar of Social Rights Action Plan, which were welcomed by the EU leaders in the Porto declaration⁸ and which are to be achieved by the end of the decade in the areas of employment, skills, and poverty reduction, should drive the implementation of the Pillar in the coming months and years. To that end, Member States are invited to set ambitious and realistic national targets that are an adequate contribution to the achievement of the EU targets, taking into account national circumstances.
33. Member States should make optimal use of the funds made available under **the Next Generation EU recovery instrument, as well as the reinforced 2021-2027 EU budget**. In particular, synergies between climate protection and digitalisation on the one hand and investments in social infrastructure and skills on the other hand should be exploited, thereby contributing to a just transition. The funds will play an important role in supporting the recovery, by providing funding to programmes to restart the economy and reverse the social impact of the pandemic.
34. The **European Semester continues to be an effective coordination tool** for fostering sustainable and inclusive economic growth, competitiveness, employment and adequate social protection and social inclusion. It remains important that a balance between the temporary, targeted adjustments related to the launch of the Recovery and Resilience Facility, and the original purpose of the Semester is observed. In that context, **the role of EPSCO and its advisory bodies in the Semester process should be maintained** in line with past Semester cycles and in full application of the Treaty (Article 148 TFEU) and the respective mandates of the advisory bodies.

⁸ [Porto Declaration \(Consilium Website, 7 May 2021\)](#)

35. To strengthen Social Europe and support the implementation of the European Pillar of Social Rights at EU and Member States level, with due regard for respective competences, **constructive dialogue should be maintained between EU institutions, Member States, social partners and civil society organizations.**
36. **The European Commission is invited to take into account the above policy guidance in the preparatory work of the 2022 Annual Sustainable Growth Strategy.**
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