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NOTE

From: Presidency

To: Permanent Representatives Committee/Council

Subject: Consolidation and strengthening of the European social protection systems
- Policy debate

Delegations will find attached a Presidency steering note on the above subject, with a view to the policy debate at the Council (EPSCO) on 9 October 2023.

Consolidation and strengthening of the European social protection systems

Policy debate

The latest crises, and mainly the pandemic and the inflationary consequences of Russia's war of aggression against Ukraine, have demonstrated the compelling need for immediate result policies to mitigate the decrease in household income. These policies should focus on the most vulnerable, thus avoiding lasting negative impacts that aggravate inequality, limit opportunities and, ultimately, slow down growth in the medium and long term.

However, a quick and targeted response to tackle such challenge alone is insufficient to adequately address the social impact of underlying societal and economic changes. Effective implementation of European Pillar of Social Rights Action Plan requires active work on the social consequences of these underlying structural challenges, such as those associated to the digital and green transitions.

While these changes bring important opportunities for European citizens, they could also lead to increased inequalities, for instance, in terms of digital gaps or energy poverty. Social policies must adequately prevent and address these situations.

In this context, Member States have adopted or are implementing reforms in their social protection systems, such as reforms of unemployment benefits; temporary exemptions from social security contributions, sometimes linked to requalifications; as well as addressing social protection disparities by improving the social protection of the self-employed and vulnerable groups. Nevertheless, the coverage of these groups varies significantly among Member States.

The consolidation of minimum income schemes has also helped to address the impact of these crises. In particular, building on the recently adopted Council Recommendation, Member States work to expand the coverage level of minimum income schemes, to reduce the high non take-up rates associated with this type of benefits, and to ensure complementarity between social and labour measures has been key elements of these efforts.

In addition to financial support, people should be accompanied and guided in order to achieve full inclusion in society, both socially and in the workplace, allowing them to integrate and participate with equal rights and opportunities.

Some Member States have made remarkable use of Union funds, such as the NextGenerationEU and Structural Funds, with a view to achieving these objectives in the framework of their National Reform Programmes. But short-term measures are not enough, and Member States need to take a medium and long-term approach. That is why some Member States are starting to take into consideration the importance of the returns of social investments and how to give them an appropriate tax treatment.

In an effort to promote the consolidation and to strengthen social protection in Europe, the coordination of social security systems needs to be improved in order to respond to the changes in the world of work. Therefore, the continuous engagement in the negotiations on the proposal for revising the Social Security Coordination Regulation is of vital importance.

At this point, the new realities of the world of work, such as the so-called “digital nomads” and teleworking, demand the European Union to consider its implications on social security coordination, the criteria for determining the applicable legislation and the impact on the different social security branches.

With this in mind, as a first step, an *ad hoc* group of the Administrative Commission for the Coordination of Social Security Systems has focussed its efforts on the case of teleworkers who pursue regularly their activity in a Member State different from the one where their employer is established, aiming to propose concrete ways of addressing these situations. Nevertheless, more action at Union level may be needed during the next legislative cycle.

At the same time, digital technology is changing the way institutions interact. Member States are exploring new ways to improve communication between institutions, citizens, businesses and authorities. Digital tools and artificial intelligence need to be taken into account when considering the future of social protection, mainly as a means to promote the exercise of social security rights, and to strengthen the fight against fraud and abuse. The recent Commission's Communication on "Digitalisation in social security coordination: facilitating free movement in the Single Market" takes stock of the existing initiatives and proposes concrete actions to move towards a more digitally integrated social security coordination system.

Against this background, and based on national experience, Ministers are invited to consider the following questions:

- *What are the implications for the social protection systems of the changes brought about by the COVID 19 pandemic and the inflationary consequences of Russia's war of aggression against Ukraine, and of the green and digital transitions, that our societies are currently undergoing? What are the priorities in terms of advancing social protection?*
- *One step forward in social protection has been the adoption of the Council Recommendation on Adequate Minimum Income. What are the main lessons learned from the implementation of the relevant schemes at national level? How could social protection be extended to the most vulnerable groups?*
- *Do the technological developments, in particular artificial intelligence, help to address existing barriers in social security coordination and facilitate the communication between administrations across the Union? Is there any experience that you could share regarding the use of technological innovation to strengthen social protection?*