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NOTE

From: Presidency
To: Permanent Representatives Committee/Council
Subject: Draft Council Conclusions on the 2019 Annual Growth Survey and Joint Employment Report

1. The Presidency has prepared the attached set of draft Council Conclusions on the 2019 Annual Growth Survey and Joint Employment Report.
2. These Conclusions were presented to the Working Party on Social Questions on 14 February 2019.
3. The Committee is invited to forward the attached draft Conclusions to the EPSCO Council on 15 March 2019 for adoption

Draft Council Conclusions on the 2019 Annual Growth Survey and Joint Employment Report

NOTING THAT

1. The Commission's Annual Growth Survey (AGS) 2019 sets out the policy priorities for growth and jobs in the EU and its Member States in 2019: delivering high-quality investment, focusing reform efforts on productivity growth, inclusiveness and the quality of institutions, and ensuring macroeconomic stability and sound public finances.
2. The EU continues to experience economic growth and record employment, but this is not yet benefitting all citizens and countries in the same manner. The current economic climate has only begun to reverse increases in inequality. Whilst the EU, with the current trend, is on track to meet its Europe 2020 target of a 75% employment rate, despite improvements the target of lifting 20 million people out of risk of poverty and social exclusion remains far from being reached.
3. In the EU, the unemployment rate stood at 6.7% (and 7.9% in the euro area) in November 2018. In the third quarter of 2018, 239.3 million persons were in employment in the EU, 15 million more than the lowest level reached during the crisis. Participation of women in the labour market continues to grow, and the employment rate of older workers recorded the largest growth in the previous year. However, unemployment and economic inactivity remain very high in some countries, notably amongst young people and the low-skilled.
4. The share of people at risk of poverty or social exclusion decreased substantially in 2017. With more than five million people exiting from poverty or social exclusion compared to the previous year, the total number is now below the level before the 2008 crisis. The overall trend, however, masks persistent disparities between the Member States, with some countries registering higher shares of people at-risk-of-poverty or social exclusion, compared to 2008. The risk of poverty or social exclusion remains a challenge in particular for children, people with disabilities and people with a migrant background. Income inequality, which declined slightly for the first time since the start of the crisis, remains higher than its pre-crisis level.

5. Reform implementation remains uneven across the EU and the still relatively favourable economic climate provides an opportunity to adopt structural reforms, with the aim of increasing economic resilience. Implementing the European Pillar of Social Rights at Union and Member State level, with due regard to respective competences, should be a priority to promote upward convergence in the labour market, social conditions and living standards.
6. The Europe2020 Strategy has served as a long-term strategic framework to guide policy-making in the European Semester, and in the Employment Guidelines. The end of the period covered by the Europe2020 Strategy is approaching, and due attention should be given to the development of a successor framework.

STRESSING THAT

7. Continued economic growth has resulted in an improved labour market situation, and job creation is occurring at a robust pace. However, hours worked continue to increase significantly more slowly than total employment. Real wage growth continued to trail behind productivity in a number of Member States in 2017 and remains below what could be expected, given the positive labour market and economic performance. It has only picked up in 2018. In-work poverty remains persistently high and labour market segmentation continues to be a challenge in a number of Member States. It remains important to focus on the quality as well as the quantity of employment, particularly in the context of the potential impact of new technologies, globalisation and new forms of work on the labour market.
8. Reskilling and upskilling continue to be key policy priorities for ensuring an inclusive labour market, and for realising the potential of rapid technological changes. Low-skilled workers are more at risk of job losses: it is ever more urgent that policies aim at improving skills-development opportunities for those who have limited or no access to training or have limited capacity to seek training outside work, to ensure they can benefit from technological changes. Policies should continue addressing the skills mismatch, particularly in sectors most likely to be affected by emerging trends. The continuing strong correlation of low educational outcomes with low socio-economic status and labour market outcomes is a matter for great concern.

9. The labour market potential of currently under-represented groups should be fully exploited. The integration of people with a migrant background, the low-skilled, the young, and people with disabilities should be strengthened. Active ageing strategies enabling older workers to stay longer in the labour market would help answering the demographic challenge. Wider access to affordable and quality childcare and long-term care services and adequate work-life balance policies would ensure more opportunities for women and men to enter or stay in employment and reduce the risk of poverty and social exclusion among children and persons in vulnerable situations. Member States are making efforts to improve provision of care services, though considerable disparities remain. There have been many reforms to Public Employment Services (PES), and service delivery in many countries has improved as a result. However, there continues to be considerable variation in PES capacity between and within countries. There is still scope for improving the coverage, effectiveness and coordination with social services as well as the effectiveness and sustainability of many active labour market policies.

10. The favourable economic climate and labour market developments have translated into substantial improvements in the social situation. However, there are signs of gaps in the inclusiveness of growth, as household incomes are growing at a slower pace, compared to GDP. The depth of poverty, as measured by the poverty gap, is deteriorating in several Member States. In some Member States, the measured impact of social transfers on poverty reduction continues to decline.

11. Social investments and preventive approaches strengthen individuals' capacities to participate actively in society and the economy and are key for the inclusiveness of growth. In particular, early childhood education and care is an effective social investment to address inequality and the challenges faced by disadvantaged children. In addition, increased effectiveness and access to preventive actions, as well as quality curative healthcare, are key premises for a healthy and active population, thus contributing to improve social wellbeing and economic prosperity. Other services such as education, training and housing, alongside adequate income support and support for labour market (re-) integration for those who can work are essential for ensuring equal opportunities for all and for strengthening social cohesion. Further actions in the areas of tax design and benefit adequacy can contribute to the inclusiveness of growth and alleviate poverty.
12. Member States continue to take measures to address demographic change and rising life expectancy. Dealing with the impact of the ageing of European societies requires sustained efforts to ensure both the adequacy and sustainability of pensions systems, focus and investment in quality services (especially to ensure access to health and long-term care), as well as improved policies for prevention, rehabilitation and independent living.
13. The emergence of new forms of work and the increasing number of transitions during the working life call for the provision of access to social protection to all workers, including non-standard workers, and the self-employed, whilst taking into account the structural differences in social protection systems between Member States. Innovation and adaptation of social protection systems are necessary to deal with new forms of work and future employment challenges.
14. Well-functioning social dialogue continues to be a key element of the European social market economy, although the degree of engagement varies significantly among Member States. The involvement of social partners in the preparation of reforms can improve their design and implementation, increase ownership amongst citizens and eventually lead to better socio-economic outcomes. Consideration should be given to ensuring that social partners have sufficient capacity to participate in the policy debate. Involving civil society organisations would also play an important role in ensuring that reforms are designed and implemented effectively.

15. There is a need to reflect on a new comprehensive strategic framework to guide policy-making once the Europe2020 Strategy expires. Any such strategic framework should have a continued strong focus on the social and employment fields, linked to other relevant policy domains. It should also be coherent with the European Pillar of Social Rights, and the UN Sustainable Development Goals.
16. This strategy framework should incorporate the lessons learned from the use of the Europe2020 targets and the monitoring of such a strategy. The implementation of a future Strategy should build on the Semester processes as they have been developed in recent years. In this context, the work already underway in the Employment and Social Protection Committees to evaluate the Europe2020 Strategy experience is welcome and will serve to inform future discussions.

CALLS UPON MEMBER STATES:

- to reflect in their National Reform Programmes the priorities of the Annual Growth Survey and the Joint Employment Report and implement the European Pillar of Social Rights at Union and Member State level, with due regard to their respective competences
- to implement the 2018 Country-Specific Recommendations
- to step up their efforts to achieve the Europe2020 targets
- to draw on the Social Scoreboard, the Employment Performance Monitor, and the Social Protection Performance Monitor to guide their convergence efforts
- to develop a common vision on the question of a successor to the Europe2020 Strategy, and in particular on related employment and social aspects

CALLS UPON THE COMMISSION:

- to ensure that employment and social issues and impacts are appropriately considered in the assessment of Member States' policies
- to consider the results of the Europe2020 Strategy to guide the reflection about possible future strategic frameworks

CALLS UPON EMCO AND SPC

- to assess the progress made towards the Europe2020 targets as well as the tools used to implement and monitor the Europe2020 Strategy, with a view to providing the Council with a final report on the Europe2020 Strategy, as well as a basis for a Council position on a future strategic framework
- to continue their work on multilateral and thematic surveillance and benchmarking, and their monitoring of the employment and social situations in Member States via the Social Scoreboard, the Employment Performance Monitor, and the Social Protection Performance Monitor to provide the Council with an evidence base for discussions in the European Semester process
- to work closely with other advisory Committees and parties, in particular the Economic and Financial Committee, the Economic Policy Committee, the Education Committee, the Working Party on Public Health at Senior Level, and the European Network of Public Employment Services, thereby ensuring a balanced consideration of economic, employment and social issues in the European Semester
- to continue to work closely with European social partners and civil society to promote effective social and civil dialogue at both the EU and national levels.