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**NOTE**

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From:	Presidency
To:	Permanent Representatives Committee/Council
No. prev. doc.:	6643/23
Subject:	Draft Council Conclusions on the Annual Sustainable Growth Survey 2023 and Joint Employment Report

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1. The Presidency has prepared the attached set of draft Council Conclusions on the Annual Sustainable Growth Survey 2023 and Joint Employment Report.
2. This draft Conclusions were presented to the meeting of the members of the Working Party on Social Questions on 20 February 2023. At the conclusion of the informal written consultation on 22 February 2023, no delegation was opposed to Presidency's compromise text of the draft Council Conclusions.
3. The Committee is invited to forward the attached draft Conclusions to the Council (EPSCO) at its session on 13 March 2023 for adoption.

**Draft Council Conclusions****On the 2023 Annual Sustainable Growth Survey and Joint Employment Report**

1. ACKNOWLEDGING that, despite a robust performance in 2021 and the first three quarters of 2022, EU labour markets are facing uncertainties related to the impact of Russia's war of aggression against Ukraine and the resulting strong inflationary pressures in energy markets and more widely.
2. RECOGNIZING the negative impact of high inflation on households' purchasing power and on economic activity. EMPHASISING that increasing production costs as well as supply bottlenecks linked to the geopolitical environment risk deteriorating labour market conditions, especially in energy intensive industries.
3. UNDERLINING that the ongoing crisis situation calls for effective economic, employment and social policy coordination that fosters inclusive and sustainable growth and protects people in vulnerable situations.
4. RECALLING in this respect the positive effect of coordinated actions at EU and national levels in cushioning the impact of the COVID-19 pandemic and in supporting the EU economy's return to pre-pandemic output levels in the autumn of 2021. ACKNOWLEDGING in this context the positive contribution of short-time work schemes and similar measures, as well as social protection systems and social inclusion policies in preserving jobs, supporting household incomes and providing social services during the crisis, while RECOGNIZING the need for further actions to address existing gaps and challenges.

5. STRESSING the importance of pursuing policies in line with the Employment Guidelines and with the principles of the European Pillar of Social Rights, with due regard for respective competencies and the principles of subsidiarity and proportionality, in view of current and upcoming challenges, including the need to foster the labour market and social integration of displaced persons from Ukraine in accordance with the Temporary Protection Directive.
6. HIGHLIGHTING the need to continue taking actions at national and EU levels to secure adequate and affordable energy supply and to mitigate the impact of increasing energy prices in particular on vulnerable households and companies, while incentivising energy savings and preserving the sustainability of public finances.
7. UNDERLINING the importance of empowering the working-age population with the relevant skills to thrive in the labour market and support notably productivity, innovation and the fair green and digital transitions, also in light of pressing labour and skills shortages that have exceeded pre-pandemic levels in several EU countries.
8. HIGHLIGHTING that investing in effective active labour market policies and public employment services, also via accessible digital infrastructure and services, is key to promoting quality job creation, job-to-job transitions and thereby structural change, including towards the digital and green economy;
9. UNDERLINING that against the current high-inflation context, wage-setting mechanisms should aim at mitigating losses in purchasing power, in particular for low wage earners, while continuing to reflect socio-economic conditions, preserving employment, social cohesion and competitiveness.
10. RECALLING the need to continue improving the social and economic resilience of the Union also in the medium term, in view of the changing demographics and the urgency of ensuring fair green and digital transitions leaving no one behind. STRESSING the continued need to modernise social protection systems and social inclusion policies, and ensure formal and effective coverage, adequacy, and transparency of social protection for all.

11. WELCOMING the continued reflection in the Annual Sustainable Growth Survey of the four dimensions of EU's competitive sustainability (environmental sustainability, productivity, fairness and macroeconomic stability). UNDERLINING their relevance in guiding the policy priorities of the Member States and the Union, to address both the impact of the energy crisis in the short term as well as medium- and long-term challenges such as ageing and the twin transition.
12. WELCOMING that the European Semester continues being the EU framework for the coordination of economic, fiscal, employment and social policies, supporting the identification of relevant policy challenges and priorities, providing guidance, ensuring policy surveillance and monitoring, and ultimately reinforcing the EU social dimension. TAKING NOTE of the Commission's orientations for a reformed EU economic governance framework.
13. WELCOMING the Commission's proposal for a Joint Employment Report, which maintains a strong focus on the implementation of the European Pillar of Social Rights, and integrates the EU headline targets for 2030 and, for the first time, national targets for 2030 in the areas of employment, skills and the reduction of poverty and social exclusion. WELCOMING the overall high level of ambition of the Member States in setting their national targets for the current decade. WELCOMING that the analysis based on the headline indicators of the Social Scoreboard ensures a comprehensive overview of Member States' employment and social situation and challenges.
14. UNDERLINING that addressing the challenges identified in the Joint Employment Report will contribute to fostering upward social convergence, in line with the European Pillar of Social Rights, reaching the 2030 EU headline and national targets on employment, skills and poverty reduction, and strengthening the EU's drive towards the 2030 Sustainable Development Goals.
15. TAKING NOTE of the policy guidance in the Joint Employment Report to address key challenges in line with the Employment Guidelines.

THE COUNCIL OF THE EUROPEAN UNION:

16. CALLS upon the Member States to reflect the priorities from the Annual Sustainable Growth Survey and the findings of the Joint Employment Report in their National Reform Programmes and to step up the implementation of the principles of the European Pillar of Social Rights to reach the 2030 EU headline and national targets.
17. In particular, CALLS upon the Member States to address the impact of high energy prices, through temporary and targeted support measures, as appropriate, focusing on vulnerable households and companies, while maintaining incentives to reduce energy consumption, encouraging a transition to climate-neutral solutions and fostering energy efficiency.
18. CALLS upon the Member States to broaden reflections and better monitor and analyse the availability of affordable housing, the lack of which may affect groups beyond the most vulnerable
19. CALLS upon the Member States to support wage developments that mitigate the loss in purchasing power of wage earners, in particular for low-income workers, and prevent the increase in poverty risks, while reflecting medium-term productivity developments and limiting the risk of second-round effects on inflation, in accordance with national practices and respecting the role and autonomy of social partners.
20. CALLS upon the Member States to continue pursuing structural reforms and effective active labour market and training policies, as well as to preserve and improve the adequacy and sustainability of social protection systems for all, in order to boost economic and social resilience, also in view of the shrinking working-age population related to demographic change, to reduce skills and labour shortages and to ensure fair green and digital transitions. CALLS for making greater use of distributional impact assessments to prevent possible adverse social effects.

21. CALLS upon the Member States to ensure gender equality, strengthen the labour market participation of women and tackle the gender pay and pension gaps. CALLS upon the Member States to invest in high-quality, affordable and accessible long-term care, as well as early childhood education and care services, and promote quality employment and fair working conditions and work-life balance for carers.
22. CALLS upon the Member States to make full use of the available cohesion policy funding and continue the implementation of the Recovery and Resilience Plans, including by taking into account the REPowerEU plan for further investments to end the EU's dependence on Russian fossil fuels and speed up a fair green transition.
23. CALLS upon the Member States to systematically involve social partners, civil society and other relevant stakeholders in a timely and meaningful manner at all stages of the European Semester and policymaking cycle, as this is key for the success of the economic, employment and social policy coordination and implementation.
24. CALLS upon the Commission to draw on the Joint Employment Report and on evidence from the Social Scoreboard, next to other country-specific analyses and existing monitoring tools, and in cooperation with Member States via dialogue and multilateral surveillance activities, to identify key employment and social challenges in the EU and in the Member States for consideration in the Country Reports and Country-Specific Recommendations.
25. ENCOURAGES the Commission to monitor the employment, skills, and social aspects of the green and digital transitions in particular under the European Semester framework, also noting the expected update of the National Energy and Climate Plans.
26. ENCOURAGES the Employment Committee and the Social Protection Committee to continue their work on the multilateral surveillance of country-specific recommendations and employment and social challenges, including through thematic reviews, horizontal discussions, and mutual learning, and in cooperation, where relevant, with the preparatory bodies of other Council formations.

27. CALLS upon the Employment Committee and the Social Protection Committee to continue their work on refining existing monitoring tools, including with a view to adequately monitoring the 2030 EU headline and national targets, and further developing benchmarking frameworks.
28. CALLS upon the Employment Committee and the Social Protection Committee to further explore the proposal made by Belgium and Spain for a possible introduction of a Social Imbalances Procedure in the framework of the European Semester, based on existing instruments.

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