

Parliamentary Dimension of the Maltese Presidency of the Council of the EU

Meeting of the Chairpersons of the Committees on Social Affairs

Session III:

Taking stock of the policies of Europe 2020 and the way forward

Thomas Dominique,
former Chair of the Social Protection Committee (SPC)

Context (COM)

Europe 2020 is the European Union's ten-year jobs and growth strategy. The Europe 2020 strategy is about delivering growth that is: smart, through more effective investments in education, research and innovation; sustainable, thanks to a decisive move towards a low-carbon economy; and inclusive, with a strong emphasis on job creation and poverty reduction.

Five headline targets have been agreed for the EU to achieve by the end of 2020. These cover employment; research and development; climate/energy; education; social inclusion and poverty reduction.

Employment : 75% of the 20-64 year-olds to be employed.

Education : Reducing the rates of early school leaving below 10%, at least 40% of 30-34-year-olds completing third level education.

Fighting poverty and social exclusion : at least 20 million fewer people in or at risk of poverty and social exclusion.

Europe 2020 is a strategy shared among the European institutions, the member states and the social partners. At EU level, each institution has a part to play in making sure the EU is taking the necessary action to help reach the Europe 2020 targets. At Member State level, full ownership is essential from Heads of States and governments, including regional and local levels. Civil society, including social partners and other stakeholders, also have an important role to play, both in the development of the national programmes and in monitoring follow-up on the ground.

Context (cont.)

Progress towards the Europe 2020 targets is encouraged and monitored throughout the European Semester, the EU's yearly cycle of economic and budgetary coordination. The European Union has set up a yearly cycle of economic policy coordination. Each year, the Commission undertakes a detailed analysis of EU Member States' plans of budgetary, macroeconomic and structural reforms and provides them with country-specific recommendations for the next 12-18 months. These recommendations also contribute to the objectives of the EU's long-term strategy for jobs and growth, the Europe 2020 strategy, which is implemented and monitored in the context of the European Semester.

In October 2015 the Commission decided to further streamline the European Semester. This notably includes better integrating the euro area and national dimensions, a stronger focus on employment and social performance, enhanced democratic dialogue, promoting convergence by benchmarking and pursuing best practices, and the support to reforms from European Structural and Investment Funds and technical assistance.

State of play (EPSCO March 2017)

Social aspects play an increasingly important role in the European Semester, as considerations of inclusiveness and fairness are key for creating jobs and growth, benefitting all citizens, strengthening trust in the EU and bolstering common European values. Ministers underlined that the economic, social and employment situation in the Union has improved but that more efforts are needed to continue to address the challenges that EU citizens face. In this regard, the increased focus of the Semester on employment and social aspects was very welcome, as was the intensification of the dialogue with the Commission, which ministers hoped would continue to expand even further. They concurred that the Semester provides an adequate framework for advancing Member States' reform efforts and for exchanging experiences and sharing best practices, in particular via peer reviews.

These allow Member States to learn from each other, bearing in mind that every country has a specific situation and that a one-size-fits-all does not apply. Structural reforms need to be inclusive, paying attention to the segments of the population that most need it. Stakeholder consultation, and more particularly the effective involvement of social partners in the design and implementation of reform programmes, respecting national practices and contexts, is essential to guarantee increased ownership and fairness of reforms, as well as better outcomes.

State of play (cont.)

In an ever-changing economic context where technology plays an increasingly important role and is transforming labour markets, ministers highlighted the **need to invest in skills, education and lifelong learning, and to ensure the labour-market integration of youth, the elderly and the long-term unemployed**. The benefits of the collaborative economy should be reaped without endangering social protection systems nor the quality of jobs. The **full labour market participation of women**, and an **ameliorated work-life balance**, were underlined as essential for maximising the economic potential of the labour force. **Tackling poverty and inequalities continue to deserve specific attention**, in particular given great divergences within and across Member States.

Actual achievements (JER 2017)

The employment and social situation is improving in a context of moderate economic recovery. As a result, **the 75% employment rate target of the Europe 2020 strategy may be reached by 2020 provided the current trend continues**. The employment rate in the age group 20-64 is for the first time above that observed in 2008, at 71.1% (second quarter of 2016). However, poverty remains high and employment and social outcomes vary significantly across countries.

Most labour market indicators saw an improvement in 2015 and 2016. The unemployment rate kept falling and stood in September 2016 at 8.5% (10% in the euro area). Youth unemployment and long-term unemployment also continued to decline, but remain high in several Member States. Activity rates are increasing, and the EU created more than four million jobs throughout 2015 and the first half of 2016. **The employment rate of women in the EU in 2015 was still significantly below that of men, but the gap has been closing since 2008**. Convergence in labour market conditions gradually continues although wide differences between Member States persist.

Household incomes in the EU rose in 2015, mostly through increases in labour income and a decrease in taxes and contributions. However, **gross household income in the euro area has not yet fully recovered and remains slightly below levels reached in 2009**. The number and proportion of people at-risk-of poverty or social exclusion has started to decrease but is still high. **The risk of poverty or social exclusion rate in the EU has now returned to its 2008 level of 23.7%**. Though recent improvements are welcome, a concerted effort is needed towards the target of lifting at least 20 million people from poverty or social exclusion by 2020, as the number of people at risk of poverty or social exclusion in 2015 remains higher than in 2008.

The way ahead (JER 2017)

High inequality levels reduce the output of the economy and the potential for sustainable growth. **Large and persistent inequalities do not only raise concerns in terms of fairness as they usually reflect a high risk of poverty and social exclusion but also in economic terms**, as they lead to an under-utilisation of human capital. Inter-generational transmission of poverty compounds these negative impacts. **The design of education, labour market and social security institutions in some Member States does not adequately support their function as an investment in human capital, promoting fairness of outcome; thus it does not remedy the unequal opportunities and in turn contributes to persistent and ever higher income inequalities.** To tackle inequalities, Member States can take action in different areas, including tax and benefits systems, wage setting policies (including the minimum wage), education and skills, and healthcare systems.

Reforms promoting resilient and inclusive labour markets must continue, stimulating job creation and labour market participation while properly combining flexibility and adequate security. **Member States linking flexibility in working arrangements with effective active labour market policies and adequate social protection weathered the crisis more successfully.** Many Member States have implemented important reform agendas in recent years, with positive effects on job creation. Still, more **efforts are needed to promote the creation of quality jobs and increase the inclusiveness of labour markets, by removing barriers to labour market participation, tackling labour market segmentation and ensuring that social protection systems provide adequate income support and enabling services to all while encouraging transitions into employment and making work pay.** This would also help address rising levels of in-work poverty in some Member States.

The way ahead (cont.)

Tax systems should better support job creation and address inequalities. A number of Member States took steps to reduce the tax wedge, mostly targeting low income workers. They aimed at promoting both labour demand – by supporting companies (re)hire – and labour supply – **by reducing disincentives to take up jobs and increase take-home pay, especially for disadvantaged groups.** Even so, the overall tax wedge on labour remains high in a considerable number of Member States. In addition, in some Member States tax systems continue to provide strong disincentives for second earners to work or to work more hours. Lower and well-designed taxation on labour could help stimulate employment growth, and in turn mitigate inequalities.

Nominal wages have increased only moderately in a low inflation environment, while several Member States have **reformed their wage setting frameworks in cooperation with social partners. Wage developments have in most Member States been aligned with labour productivity, including wage increases where the economic context provided space.** Such alignment is necessary, over the medium run, to stimulate productivity gains and support of aggregate demand and growth. A small number of Member States have reformed their wage setting frameworks to reinforce the role of social partners at different levels of bargaining. Action was also taken to **make minimum wage setting frameworks more transparent and/or predictable.** Wage-setting systems should further pursue coordination among different levels of collective bargaining, while allowing a certain degree of flexibility geographically and across and within sectors.

The way ahead (cont.)

The involvement of social partners in the design and implementation of reforms is uneven across the EU. However, all Member States have bipartite or tripartite bodies to allow for the interaction of social partners and their consultation in the design and implementation of policies, their actual involvement varies significantly. Yet, **effective social dialogue, in line with national practices and conditions, is crucial to ensure fair and efficient reforms, increase their ownership and carefully assess their impact on different groups of the population.**

Member States have continued to modernise their education and training systems to **improve the skills needed to adapt to labour market needs**. However, inequalities in educational uptake and outcomes are remaining. Reforms aimed inter alia at promoting the acquisition of basic skills, at fostering adult learning and improving the labour market relevance of tertiary education. **Continuing structural reforms and upscaling measures will be necessary to ensure that all young people- and especially lowskilled young people and those facing multiple barriers re-enter the labour market.**

Tackling long-term unemployment remains a priority. Increasing duration of unemployment implies depreciation of skills, lower attachment to the labour market and ultimately higher risk of social exclusion. Moreover, it risks turning cyclical unemployment into structural, with negative consequence on potential growth. **Several Member States are reinforcing support for the long-term unemployed through individualised support and improved coordination between employment services and other actors.**

The way ahead (cont.)

Women continue to be underrepresented in the labour market and face an important pay differential. They outperform men in terms of educational attainment. However, the employment gap between women and men remains wide, in particular for mothers and women with caring responsibilities. This is compounded by financial disincentives faced by women when entering the labour market or wanting to work more. A significant pay gap is observed in several Member States. Combined with shorter careers, this often translates into lower pensions for women. This indicates that a comprehensive integration of work-life balance considerations into policy making is needed. Access to affordable and quality childcare and other care services, leave and flexible working time arrangements, and tax and benefit systems free of disincentives for second earners to work or to work more is of key importance in order to move towards a full equal treatment of women and support upward social mobility.

Efforts have continued to modernise social protection systems to improve coverage and adequacy of benefits, access, quality and responsiveness of services and actively encourage labour market participation. A number of Member States have put in place policy reforms aimed at improving the coverage and adequacy of social benefits while promoting activation. Measures are directed to a variety of groups, including low income earners, the unemployed, people with disabilities, homeless and people with care responsibilities. Despite reform progress, high levels of (child) poverty in some Member States remain points of concern. Adequate safety nets should be made available to those who lack sufficient resources for a decent standard of living, including support for labour market (re)integration of those in working age.

The way ahead (cont.)

After a wave of reforms focusing on higher retirement ages, recent pension reforms present a more diverse picture, including measures to safeguard pension adequacy through minimum guarantees and indexation. While some Member States focused on improving the sustainability of their pension systems, for instance by increasing retirement age and limiting access to early retirement, some others focused on the protection of low-income pensioners, either by rising minimum pensions or through targeted additional benefits. Pension systems should ensure adequate standards of living, while preserving sustainability. To this aim, men and women should be encouraged to remain longer in employment, also through the availability of appropriate work-life balance policies and the modernisation of working environments. Supplementary pensions can play a key role, in particular where the adequacy of public pensions is expected to deteriorate.

Health systems contribute to individual and collective welfare and economic prosperity. In a number of Member States healthcare reforms have been implemented to encourage the provision of and access to effective primary health care services, to streamline and increase the sustainability of specialist and hospital care, and to improve the access to affordable medicines used in a cost-effective way. Some Member States are also taking steps to improve the efficiency and quality of long-term care services. This would reduce obstacles to labour market participation for family carers, especially for women.

Thanks 😊