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COVER NOTE

from: The Social Protection Committee
to: Permanent Representatives Committee (Part I) / Council (EPSCO)
Subject: **Europe 2020 Strategy**
- SPC Contribution

Delegations will find attached a Contribution by the Social Protection Committee, as finalised by the SPC on 18 May 2010 and presented with a view to the session of the Council (EPSCO) on 7-8 June 2010.



The Social Protection Committee

EUROPE 2020 STRATEGY

SPC contribution¹

The Spring European Council agreed on a new strategy that gives prominence to “inclusive growth” and cohesive society in light of the interdependence of economic, employment and social cohesion policies. Integration of policies across key areas is inherent to the Europe 2020 Strategy. National and EU actions will be guided by the interrelated and mutually reinforcing headline targets agreed by the Spring European Council.

As stated in its contribution to the preparation of Europe 2020², reinforcing the Open Method of Coordination in the field of social protection and social inclusion and improving its coherence and visibility will be needed for the implementation of the social dimension of the new strategy. Within the framework of the “Social OMC”, the SPC will continue to bring its added value as flexible and effective instrument for coordinated policy-making and support to the design of national strategies on social inclusion and social protection in closed interaction with the new Strategy.

¹ Pending confirmation by a number of delegations.

² See SPC opinion on the "Post-2010" Strategy, endorsed by EPSCO Council of 30 November 2009 (doc. 15850/09).

I. Report on the appropriate indicators of the EU headline target on social inclusion/poverty reduction

The Spring European Council agreed on the five EU headline targets of the Europe 2020 strategy, one of them relating to the **promotion of social inclusion, in particular through the reduction of poverty**. The EU leaders called for further work to be undertaken on appropriate indicators of this target. The June European Council will revert to this issue. On the basis of this mandate, the SPC³ advises the EPSCO Council to consider adopting the following approach:

- formulate the EU target in numerical terms as **lifting xx million people out of poverty or exclusion by 2020**;
- measure the **overall number of people that are at-risk-of-poverty or excluded on the basis of three indicators** reflecting different dimensions of poverty and exclusion: **the at-risk-of-poverty rate, the material deprivation rate and the share of people living in jobless households**⁴;
- define the EU level reference aggregate as the number of persons who are **at-risk-of-poverty and/or materially deprived and/or living in a jobless household**, in line with the following concepts:

people at-risk-of-poverty: people living with less than 60% of the national median income. The at-risk-of-poverty rate⁵ is the headline indicator used to measure and monitor poverty in the EU. It is a relative measure of poverty, linked to income distribution, which takes account of all sources of monetary income including market income and social transfers. It reflects the role of work and social protection in preventing and alleviating poverty.

³ With a reservation from the Swedish delegation.

⁴ In the SPC discussion, several delegations expressed a preference for defining the EU reference aggregate on the basis of the two poverty indicators only (at-risk-of poverty and material deprivation), corresponding to approximately 100 Mio people. Most of them nevertheless accepted to add the jobless household indicator.

⁵ In 2008, 17% of the European population was at risk of poverty.

people materially deprived: people whose living conditions are severely constrained by a lack of resources, who experience at least 4 out of 9 deprivation situations⁶. The material deprivation rate is a non monetary measure of poverty which also reflects different levels of prosperity and living standards across the EU since it is based on a single European threshold.

people living in jobless households: This population is defined in relation to zero or very low work-intensity over a whole year⁷ to properly reflect situations of prolonged exclusion from the labour market. These are people living in families experiencing a situation of long-term exclusion from the labour market. Long-term exclusion from the labour market is one of the main factors of poverty, and aggravates the risk of transmission of disadvantage from one generation to the next.

- analyse the possibility to use 2009 as a reference year for the relevant data.
- identify an ambitious but realistic level of commitment taking account of financial sustainability constraints, knowing that the EU level aggregate defined above would amount to about 120 million people at risk of poverty or excluded⁸;

⁶ Currently the agreed EU material deprivation indicator is defined as the share of people are concerned with at least 3 out of the 9 following situations: people cannot afford i) to pay their rent or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish, or a protein equivalent every second day, v) a week of holiday away from home once a year, vi) a car, vii) a washing machine, viii) a colour tv, or ix) a telephone. It concerns 17% of the overall EU population, varying from 3.5% to 51% (2008 data). The stricter definition proposed above, based on 4 out of 9 items, would concern 8.3% of the EU population varying from 1% to 33%.

⁷ Defining jobless households on the basis of the EU harmonised survey on Income and Living Conditions (EU-SILC) may require further methodological refinements.

⁸ For instance, a 20 million target would aim at lifting 1 out 6 people out of poverty or exclusion over 10 years; a 15 million target would aim at lifting 1 out 8 people out of poverty or exclusion over 10 years; a 25 million target would aim at lifting 1 out 5 people out of poverty or exclusion over 10 years.

- foresee that Member States, while being free to set their national targets on the basis of the most appropriate indicator(s) given their national circumstances and priorities, **clarify how meeting their national target will contribute to the achievement of the EU level target**, in a dialogue with the Commission, and with the support of the SPC.

- ask Member States and the Commission:
 - to update the roadmap for the development of indicators to fully reflect the multi-dimensional nature of poverty and social exclusion,

 - to step up, in this context, work on improved measures of material deprivation, consistent poverty and absolute poverty, risk of poverty anchored in time, new measures of labour market exclusion, and measures of the redistributive impact of social protection systems, including the provision of in-kind benefits.

 - to improve the timeliness of underlying data as well as the capacity to measure of the situation of the most vulnerable groups (migrants and ethnic minorities, people with disabilities, homeless, etc).

- envisage a mid-term review of the EU headline target taking into account the above work on indicators.

II. Proposal on the Europe 2020 Integrated Guidelines

The proposal of the two sets of integrated guidelines on economic and employment policies builds on the mutually reinforcing priorities and the interrelated targets of the “Europe 2020” strategy. The SPC supports the aim of guideline 10 (“*Promoting social inclusion and combating poverty*”) as a major reflection of the social dimension of the new strategy.

A reinforced interaction between economic, employment and social policies and objectives is essential to foster sustainable growth, job creation and social and territorial cohesion. In line with the Treaty provision (Art. 9 TFEU) "the Union shall take into account requirements linked to promotion of a high level of employment, adequate social protection and the fight against social exclusion in defining and implementing EU policies and activities". This Treaty provision is relevant for both the economic policies and employment guidelines and should be inserted also in the preamble of the proposal for the economic policies guidelines.

In relation to the economic policies guidelines, the SPC stresses the importance of addressing at the same time aspects pertaining to sustainability and adequacy of pension and of health and long-term care systems. The SPC supports a greater attention to the external dimension of the EU, which should cover the social policy field, as stated by the 2010 Spring European Council. The SPC recalls the important role of social services of general interest to contribute to social cohesion and at the same time as precondition for competitiveness and employability (a reference to their adequate provision should be introduced in guideline 6). The employment guidelines should refer to the principle of equality between men and women as a crosscutting priority.

A thematic assessment and reporting of progress relating to its social dimension is a necessary feature of the integrated vision of Europe 2020. The role of the Social Protection Committee for monitoring the progress towards the social inclusion/poverty reduction target and the implementation of guideline 10 should be explicitly clarified in the text of the decision.

The SPC considers that this approach aims to support the EPSCO Council to play fully its role as concerns the employment and social dimensions of the new strategy. It will capitalise also on the expertise gathered by the EU activities conducted in pursuing the common social objectives under the framework of the open method of coordination in the field of social protection and social inclusion ("Social OMC"). A recital is therefore necessary. The SPC proposes the following:

(17) *The Social Protection Committee will monitor progress in relation to the social dimension of the Europe 2020 strategy and in particular to the implementation of guideline 10, within the competences defined by the Treaty. This will in particular build on the activities of the open method of coordination in the field of social protection and social inclusion, including the Joint Report on Social Protection and Social Inclusion.*

The SPC welcomes the main elements contained in the draft integrated guideline 10, while some adjustments to the text are suggested (see draft amendments on guideline 10 below).

Guideline 10: Promoting social inclusion and combating poverty⁹

Member States' efforts to prevent and reduce poverty, including through the extension of employment opportunities as an essential aspect of an integrated strategy, should be aimed at promoting full participation in society and economy. Full use of the European Social Fund should be made to that end. Efforts should also concentrate on ensuring equal opportunities, including through access for all to high quality, affordable and sustainable services, in particular in the social field, housing and health care. Public services (including online services, in line with guideline 4), play an important role in this respect. Member States should put in place effective anti-discrimination measures. Empowering people and promoting labour market participation for those furthest away from the labour market while preventing in-work poverty will help to fight social exclusion. This would require the enhancing of social protection systems, lifelong learning and comprehensive active inclusion strategies to create opportunities at different stages of people's lives and shield them from the risk of exclusion, with special attention to women. Social security and pension systems should be modernised so that they can be fully deployed to ensure adequate income support and access to health and long-term care — thus providing social cohesion — whilst remaining financially sustainable and encouraging participation in society and in the labour market.

⁹ Finalised at the SPC meeting on 17-18 May for the purpose of further consultations mandated to the Chair.

Benefit systems should focus on ensuring income security during transitions and reducing poverty, in particular among groups most at risk from social exclusion, such as one-parent families, minorities, including the Roma, people with disabilities, children and young people, elderly women and men, legal migrants, homeless. Member States should also actively promote the social economy and social innovation in support of the most vulnerable. All measures should also aim at promoting gender equality.

III. Flagship initiative: "European Platform against Poverty"

As already stated by the SPC, Member States' cooperation in the field of social policy would highly benefit from increased visibility, improved communication and dissemination, enhanced mutual learning processes as well as quality and continuous involvement of relevant stakeholders. The SPC will invest in that direction. The "European Platform" will benefit from the experience, instruments and activities that will continue to be developed under the open method of coordination in the field of social protection (pensions, health and long-term care) and social inclusion.

The SPC understands the objective of this Flagship initiative to enhance efforts at both EU and national level to deliver the social dimension of the Europe 2020 strategy and strengthen the open method of coordination in this field.

The SPC therefore intends to collaborate with the Commission and to provide its contribution with a view to the forthcoming proposal on the "European Platform against Poverty", expected for next October, in light of the decisions that will be taken by the June European Council on the Europe 2020 strategy.