



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 1 February 2012

5851/12

**SOC 63
ECOFIN 75**

COVER NOTE

from: The Social Protection Committee
to: Permanent Representatives Committee (Part I) / Council (EPSCO)
Subject: Priorities for action in the areas of employment and social policies: political
guidance in 2012.
- Endorsement of the SPC Opinion on the 2012 Annual Growth Survey

Delegations will find attached the above-mentioned Opinion of the Social Protection Committee with a view to the session of the Council (EPSCO) on 17 February 2012.

The Opinion will be considered under the agenda item "Europe 2020 Strategy": Annual Growth Survey and Joint Employment Report in the context of the European Semester.



The Social Protection Committee

OPINION OF THE SOCIAL PROTECTION COMMITTEE ON :

THE 2012 ANNUAL GROWTH SURVEY

1. The European Commission published the 2012 Annual Growth Survey in a particular context. The economic slowdown deepens and it affects more and more countries. The high-risk aversion of sovereign bond markets increased the cost of public policies. As a result, the political attention shifts from a long-term strategy to tackling short-term challenges.
2. The attention of the Council is drawn to the long-term consequences of current fiscal consolidation measures on the social situation in the EU which is likely to worsen if appropriate social and employment policy remedies are not in place as shown by the SPC third report on the social consequences of the crisis¹.
3. There is a high pressure on social protection systems which face an increasing demand for assistance evidenced in the shifts from unemployment benefits to social assistance benefits given the worsening employment situation.
4. The 2012 AGS, which includes tackling the social consequences of the crisis among its 5 priorities, sends a strong signal that re-establishing confidence in the social dimension of Europe 2020 is a key priority.
5. According to the AGS progress report², the EU is off-track to reach the European Council target on reducing poverty and social inclusion. Estimates show that more needs to be done in order to meet the common EU target. Improved effectiveness of social protection, combined with a higher level of labour market participation, will be crucial for pursuing the target in a context of limited resources.

¹ SPC Third Report on the social impact of the economic crisis and ongoing fiscal consolidation, SPC/2012/.1(2)/4FIN

² COM (2011) 815 final vol. 215- annex 1 : Progress report on the Europe 2020 strategy.

6. Achieving this target by each Member State and by the EU collectively would require:
- improving the quality of fiscal consolidation measures with a view to making them responsive to the social needs of all generations, in addition to their employment and growth enhancing objectives;
 - mitigating inequalities by fully exploiting the capacity of social protection systems to reduce income inequalities and to enhance access to social services of general interest;
 - securing better protection for persons in the most vulnerable situations from bearing the brunt of the consolidation measures;
 - renewing the attention to gender equality;
 - improving adequacy and sustainability of social security and pension systems and implementing active inclusion strategies;
 - seizing the opportunity offered by the proposal on the new European Social Fund Regulation for the period 2014-2020;
7. The 2012 AGS rightly highlights the social protection systems' essential role of "automatic stabilisers". By providing support to the entire population in the form of different cash and in-kind benefits, they contribute to aggregate demand and to growth. Social protection systems can also create high value jobs, particularly through investments in the health and social services sectors.

8. Given the depth of the economic crisis and its duration, Member States have been fairly successful in mitigating its worst impact on households and individuals thanks to their social protection systems. The resilience of these systems must be improved to enable them to continue providing protection to the entire population ahead of a prolonged economic downturn. Utmost attention needs to be paid to their capacity to cushion any unequal impact of the crisis.
9. Social protection systems cannot be reduced solely to safety nets for the poorest citizens, despite their significant effect on the income of low-income groups. Adequate financing of social security benefits must be ensured in order to guarantee their sustainability and adequacy with the view to reach all citizens and to guarantee solidarity.
10. The right emphasis needs to be placed on the role of human capital in pursuing successful growth strategies. Spurring growth, improving competitiveness and increasing prosperity requires investing in human capital. Current imperative for fiscal consolidation and control of deficits needs to take account of the structural factors driving social protection expenditure (increasing demand for services of ageing populations and increased unemployment).
11. The 2012 AGS makes a call for reducing non labour wage costs and for shifting taxation away from labour with the view to stimulate job creation³. Yet, given the diversity of social security financing arrangements in the EU, there is a need for a broad and careful analysis of the overall impact of such measure on both the financing of social protection systems and their ability to provide adequate benefits. Involving social partners in such discussions is crucial.

³ COM (2011) 815 final Vol 5/15- annex IV : Growth-friendly tax policies in Member States and better tax co-ordination in the EU (pp4-5)

12. The main political objective and legitimacy of pension systems is to provide adequate income after retirement. Without bold efforts to improve employment rate for older workers, the 2012 AGS pension priorities (raising effective retirement ages and extending working lives) will not produce the desired results. A three pronged approach is therefore needed⁴. It must be stressed that the pension policy agenda goes beyond the adjustment of retirement ages and working lives as it includes additional interlinked key components: adequacy-sustainability balance, interactions between public and private pension pillars, coverage, age management at the workplace, fairness between men and women and within generations, healthy and active ageing, risk management in funded pensions, etc.

13. The SPC will examine how the National Reform Programmes and the National Social Reports part of the open method of co-ordination in the social protection and inclusion areas respond to the new AGS priorities, to the Euro+ Pact emphasis on adequate and sustainable pension, social benefits and health care and to the Common Objectives on Social Protection and Social Inclusion. The Committee will report about its findings to the Council.

⁴ Council conclusions "Sustainable social security systems : achieving adequate pensions and social inclusion objectives", Council of the European Union, Document 9413/10