



The Social Protection Committee

The Chairperson

Brussels, 18 December 2009

Subject: Consultation on the future "EU 2020" strategy

Dear President Barroso,

In response to the Commission consultation on the future EU 2020 strategy, I am pleased to submit to you the opinion of the Social Protection Committee on the "Post-2010 Lisbon Strategy". The opinion was endorsed by the EPSCO Council on 30 November and transmitted to the December European Council.

On behalf of the Committee, I would like in particular to highlight the following points:

- The Social Protection Committee recalls its main views on the Post-2010 Lisbon Strategy transmitted to the December European Council. The "EU 2020" strategy should ensure achievements at the same time in sustainable growth, employment, reduction of poverty and greater social cohesion.
- The Commission consultation document addresses the long-term social challenges that are now exacerbated by the crisis. It is crucial for the EU to embrace new opportunities and the Committee agrees that this implies empowering people in inclusive societies.
- Indeed this requires that opportunities are ensured for all, including through gender equality, to participate actively in society. With more people living longer, Europe cannot afford failing to use any of its human talent. The crisis has confirmed the centrality of active inclusion strategies and adequate and sustainable social protection for fighting poverty and promoting social cohesion.



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- In line with the new clause of the Lisbon Treaty, adequate social protection and the fight against social exclusion should be taken into account in defining and implementing EU policies and activities.
- The objectives of the "EU 2020" strategy aim at a sustainable social market economy and are highly interdependent. Therefore, all thematic Council configurations should be equally involved so to ensure the appropriate interaction between different policies. Reinforced ownership of the process at the national level and involvement of all stakeholders is key.
- The SPC is ready to play its part in the context of the "EU 2020", building on the experience gathered in the "Social OMC".

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Aurelio Fernandez', written over a horizontal line.

Aurelio Fernandez
Chairman of the Social Protection Committee



The Social Protection Committee

SPC/2009/11/12/final

SPC opinion on the post-2010 Lisbon Strategy

The SPC considers that the post-2010 Lisbon strategy should

- set Europe on a course of long-term sustainable growth, increased employment and enhanced social cohesion in the challenging context of accelerating ageing and increasing pressures from technological development, globalisation and climate change.
- ensure achievements at the same time in growth, employment, reduction of poverty and greater social cohesion, and a reinforced interaction between economic, employment and social policies.
- prevent and fight poverty, social exclusion and all types of discrimination, especially in the light of the current crisis, implement active inclusion strategies and deliver adequate and sustainable social protection. Inclusive labour markets and quality employment, supported by active inclusion and social security policies, play an essential role in promoting social cohesion.
- provide for its social outcomes to be monitored and systematically assessed, including gender equality aspects.
- reinforce the Social Open Method of Coordination and improve its coherence and visibility.
- pursue effective and well integrated policies, which help enhance confidence and recognition of its benefits among European citizens.

The global economic crisis has landed the EU in its most severe recession in decades. The effects on labour markets and public finances will be long-lasting; the full social impact is yet to emerge.

In responding to the crisis, notwithstanding diverging situations across the Member States, social protection and well functioning social inclusion policies have proved essential. In formulating the 2020 strategy it is not only important to provide adequate responses to the short-term challenges created by the crisis but it is also crucial to reply adequately to the long term challenges facing the EU. The exit strategy should set Europe on a course of long-term sustainable growth and enhanced social cohesion in the challenging context of accelerating ageing and increasing pressures from technological development, globalisation and climate change.

A range of EU policy instruments have been put in place to address old and new challenges. They now need to be channelled, and adapted, to deliver the low carbon, knowledge-based, inclusive social market economy of the future. Based on the shared value of solidarity, social policies will continue to play an essential role in addressing persistent exclusion and inequalities. Exploiting the synergies between social and environmental objectives will be an important element in the European strategy for sustainable development.

Lisbon agenda and social cohesion: main lessons of the past ten years

One of the objectives of the Lisbon Strategy in 2000 was to make a decisive impact to eradicate poverty by 2010. Over the decade since the strategy was launched, economic and employment growth has in general improved overall living standards and many governments have been able to devote more resources to social policy intervention. However, **despite the clear redistributive effect of social protection, inequalities have often increased and poverty and social exclusion remain a major issue** in most EU countries, although with substantial differences across Europe.

Having a job remains the best safeguard against poverty and exclusion. However, recent employment increases have not sufficiently reached those furthest away from the labour market, and jobs have not always succeeded in lifting people out of poverty. Some groups still face specific hurdles such as insufficient access to training for the low skilled, lack of enabling services, or poor design of benefits that create financial disincentives. Labour market segmentation persists combined with a lack in job quality. The development of precarious forms of employment, often with a strong gender dimension has contributed to persistently high levels of in-work poverty. Here, lessons need to be drawn for measures to prevent the crisis considerably aggravating persistent exclusion. Active inclusion strategies are not only crucial to support the most vulnerable in the crisis, but also to limit losses to the human capital of both women and men and preserve future growth potential.

Recent reforms of social protection systems have improved their long-term financial sustainability. However, there **remain issues to be resolved regarding the accessibility and adequacy of social protection.** Here, higher employment rates, longer working lives, and increased healthy life expectancy are key. In the case of pensions this would apply to funded as well as pay-as-you-go schemes. Efforts to modernise all functions of social protection should be sustained in order to ensure protection of those in need and effective access to quality services for all while contributing to the efficiency of public expenditure. Modernisation of health care and long-term care underpins the health of the whole population and of the work force.

Social protection systems play a crucial role as automatic stabilisers and for sustaining the

productive capacity of the economy beside their main role in protecting citizens against social risks over the lifecycle. However, **Member States are in very different positions to face the crisis.** In some, there are significant weaknesses in social safety nets. In others with mature and tight-knit social protection systems, financial sustainability may be less certain in the long run. Countries faced with major public finance imbalances have little room for manoeuvre to address the social consequences of the crisis. This raises particular concern for those who have weaker levels of protection from the outset. Promoting labour market participation while improving the fairness, efficiency and effectiveness of social spending will be crucial for all countries, both from a counter-cyclical and a fiscal consolidation point of view.

The virtuous circle of participation in employment and living out of poverty has not always functioned as it should have in the last decade: serious obstacles still face the most vulnerable groups, such as the low skilled, lone parent families, or migrants. Therefore modernising social protection for improved adequacy and sustainability is crucial. While the emphasis should still be on promoting growth and jobs, fighting child poverty, engaging closely in active inclusion and, more generally, fighting labour market segmentation and gender gaps and encouraging job quality will be of fundamental importance.

The social dimension of the post-2010 Lisbon agenda

Drawing on lessons, the post-2010 agenda needs to foster at the same time and in an integrated approach sustainable growth, job creation and social cohesion and environmental protection. The ongoing review offers the opportunity to develop a coordinated strategy for convergence to deliver on the vision of a competitive, sustainable and inclusive social market economy of the future. Reinforced interaction between economic, employment and social policies is thus essential when designing the future strategy.

Reaffirming the commitment to prevent and fight poverty and social exclusion is crucial, especially in the light of the current crisis. Reducing the number of people, particularly children, at risk of poverty and breaking the mechanisms of the intergenerational transmission is urgent. Inclusive labour markets and quality employment play an essential role in promoting social cohesion.

At the backdrop of accelerating ageing, Europe cannot afford failing to use any of its human talent. **Opportunities for all to enter the labour market and participate actively in society must be ensured.** Policies should centre on providing access to enabling services and addressing other structural obstacles, facilitating and securing labour market transitions, preventing long-term dependency on social benefits, strengthening occupational and geographical mobility and modernising social protection including healthcare. Fighting child poverty, also by ensuring access

to affordable quality childcare, is crucial in order to allow full human potential to develop and to equip Europe for the future. Prolonging working lives, promoting better reconciliation of work and private life and labour market inclusion and countering early labour market exits, including through active social security policies as well as visible integration of gender equality across all relevant policy areas, will remain essential. All employment opportunities, including the potential in white (health and care services) and green jobs, need to be exploited.

Higher employment will remain a priority post-2010, and having a job is also recognised as the best safeguard for the individual against poverty and exclusion. At the same time, evidence shows that employment growth in itself does not secure a fair distribution of income, a reduction of poverty levels or increased social inclusion. In fact some groups face particular obstacles in the labour market. There is a need to tackle **labour market segmentation** and extended periods in precarious forms of employment, to address persistent gender inequalities including the pay gap, **and to promote higher-quality jobs**. It is important to ensure that those who cannot work are able to live in dignity.

In the current crisis, **unemployment insurance and social assistance schemes** are being strongly solicited to support people's income. Constraints on public finances hamper possibilities for countries to reinforce their social safety nets, in cases where major weaknesses have been identified. Yet, ensuring adequate income support remains crucial both to prevent lasting social exclusion and to ensure effective automatic stabilisation of the economy.

Sustainability of social security systems in all Member States is essential in light of the ageing population and Member States are addressing this issue. Depending on national situations, Member States need to address the different risks associated with the impact of the economic and financial crisis for pension systems. Increasing resource constraints will affect other fields, including **health and long-term care**. Preventive measures, health promotion and active ageing policies are needed to mitigate the expected rise in age-related social protection expenditure.

The integrated vision of the post-2010 agenda calls for its social outcomes to be monitored. This is essential for enhancing confidence and a balanced recognition of its benefits among European citizens. **Systematic assessment and reporting of progress relating to its social dimension are needed**. The experience gathered in the Social OMC should be utilised and the Social Protection Committee should be involved in this context.

In line with the new clause of the Lisbon Treaty, once adopted, adequate social protection and the fight against social exclusion should be taken into account in defining and implementing EU policies and activities. Securing synergy in the integrated vision of the 2020 agenda would imply

that these goals are well reflected in the programming of other instruments, such as the Structural Funds and Community programmes.

The external dimension of the EU should take more into account that many of the national social challenges increasingly are based on issues of global nature. So, for example, the future European strategy should give more attention to the promotion of the ILO decent work agenda

Exploiting the full potential of the Social OMC

A fully effective Social OMC remains essential for achieving greater social cohesion. The streamlined Social OMC has proved to be a flexible and effective instrument for coordinated policy-making and support to the design of national strategies on social inclusion and social protection. Its recent use as platform for urgent exchange of experience linked to the social impact of the crisis and policy responses is a case in point. Further, it has helped in identifying key policy priorities in these areas and, through the development of common indicators, to monitor progress. The deepening of mutual learning and a wider involvement of relevant stakeholders at national and European levels are key achievements of the process.

However, efforts should be made to fully exploit all its instruments and further enhance governance both at national and EU levels while taking into account diverse situations across Member States. The start of the post-2010 strategy coincides with the **European Year against poverty and social exclusion**, which aims at strongly reaffirming EU and national commitment to tackle and prevent poverty and social exclusion.

Enhanced horizontal coordination and mainstreaming of the Common Social Objectives will be of crucial importance. Indeed, promoting them across all relevant policy areas would reflect the holistic approach embraced by the Renewed Social Agenda. **Integrated impact assessment** is a key tool for improved policy integration, and the social impact assessment in that context needs to be developed. The pursuit of sustainable growth -in economic, social and environmental terms- will require a **more comprehensive assessment of social well-being**, where emphasis is not put exclusively on the level and rate of growth of GDP, but well-being in its multidimensional approach is also taken into account.

A better distinction between the policy learning phase and the evaluation of progress would make the OMC more effective. Areas for improvement have been identified and are being pursued in ongoing activities. They relate to **boosting analytical capacity** through evidence-based diagnosis; **reinforcing horizontal, cross-sector coordination and vertical coordination**, including regional

and local authorities, **sustaining quality and continuous involvement of relevant stakeholders**; in policy formulation and design, **monitoring and evaluation of policy impact and implementation**; setting of priorities fully exploiting the **mutual learning process**, including through enhanced use of **peer reviews**; improving **communication and dissemination**, and continued and enhanced **cooperation with other committees**. Other mechanisms for expressing a commitment to deliver the OMC objectives will continue to be considered by the SPC, including the **setting of national targets**, which remains a core responsibility of the Member States, and the **use of other relevant instruments**, particularly the Structural Funds and the PROGRESS programme in order to promote social inclusion.

The SPC will be ready to adapt working methods and approaches of the "Social OMC" in the light of the post-2010 strategy in order to fully play its part in ensuring progress on the new strategy and to ensure optimal interaction between jobs, growth and social policy.