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from: The Employment and Social Protection Committees
to: Permanent Representatives Committee (Part I) / Council (EPSCO)
Subject: Examination of the National Reform Programmes 2011
- Joint opinion of the Employment Committee and of the Social Protection
Committee
= *Endorsement*

Delegations will find attached the joint Opinion of the Employment and Social Protection Committees on the National Reform Programmes 2011, with a view to the EPSCO Council on 17 June 2011.



The Employment Committee The Social Protection Committee

EXAMINATION OF THE NATIONAL REFORM PROGRAMMES (NRPs) 2011: POLICY CONCLUSIONS

Opinion of the Employment Committee and the Social Protection Committee

Despite the encouraging signs of economic recovery across the EU, the impact of the economic crisis continues to be felt in labour markets. Unemployment persists at high levels, long-term unemployment continues on the rise and regional disparities are accentuated in Europe. Youth unemployment is dramatically high in several Member States and calls for urgent action at national and European levels.

Further, despite the current level of social protection, large numbers of people are at-risk-of poverty or in a condition of severe material deprivation or live in jobless households. Throughout the crisis, social protection systems have shown remarkable resilience by successfully mitigating the impact of the crisis on the population and containing the risk of poverty and exclusion, thus contributing to inclusive growth.

The EU must pursue its course against unemployment, poverty and social exclusion as boldly as it pursues economic recovery, ensuring the right balance with the need for fiscal consolidation. While seeking greater efficiency of public expenditure in employment and social policies, the NRPs confirm a strong commitment towards the achievement of the EU headline objectives on employment, education and poverty. In this context, Structural Funds, and in particular, the European Social Fund, continue to be vital to promote labour market participation and strengthen the active inclusion of vulnerable groups.

Bearing in mind the institutional and cultural specificities of national labour markets and of social protection systems, the national practices of social dialogue and the autonomy of social partners, the examinations of the NRPs carried out by the Committees confirmed a strong policy convergence towards the achievement of the EU headline objectives on employment and poverty. The following preliminary policy conclusions can be drawn from the reviews:

Employment dimension of the NRPs

1. Compared to the draft NRPs, some Member States have raised their level of ambition on for their respective national employment rates. The collective estimated outcome would now be closer to the EU ambition to reach an employment rate of 75% by 2020 even if still falling short of 1-1.3 percentage points. A third of Member States has also committed to national secondary targets for specific labour market sub-groups, in particular for women.
2. The EMCO policy conclusions drawn on the draft NRP of November 2010 are confirmed. Reform measures link clearly to labour market bottlenecks, although it is too early to judge their sufficiency. Alongside the country-specific challenges to be proposed in the Employment Performance Monitor and the country specific recommendations, it is worth highlighting the following common challenges emanating from the country examination:

2.1 Increasing labour market participation remains the major challenge for all Member States. General and targeted measures to promote employment among women, older workers, low skilled and young people, but also of legal migrants and other disadvantaged groups, remain at the forefront of MS concerns.

- 2.2** Family responsibilities have a strong influence on **female participation** and on hours worked. The provision of more affordable and better quality child and dependency care services is still deemed necessary in many Member States. "Making work pay" policies, in particular in-work benefits, can support participation in the labour market of second earners (often women) in family households. Policies to overcome the gender pay gap or career glass ceilings and to promote flexible (time) working arrangements can also contribute to attract more women into employment.
- 2.3** Young people are the most affected by **labour market segmentation** and have been bearing a disproportionate burden from the crisis with risk of a "lost generation". Targeted measures are needed as **youth unemployment**, although more sensitive to the economic cycle, continues to rise in some countries despite the evidence of economic recovery. In some Member States there is a large number of young qualified people emigrating to other EU countries with important effects of "brain-drain".
- 2.4** In many countries, increasing the (effective) retirement age has been deemed central to raise the **participation of older workers**. Equally financial (dis)incentives play a significant role in individual choices to extend working lives. Nonetheless, policies to decrease early retirement schemes, increase access to lifelong learning and adequate working conditions must complement the reforms of the pensions systems
- 2.5** Improving the **provision, adequacy and quality of education and training systems** and **addressing skills mismatches**, both for young and adult population, remains high in the reform agenda of almost all countries and is necessary to achieve productivity growth. Focus is being put on improving accessibility to lifelong learning opportunities and attractiveness of vocational education systems and apprenticeships schemes. In this respect, partnerships between education and training institutions and social partners could improve the appropriateness of these schemes to labour market needs. Further action is also necessary to reach out to more early school leavers through further education or vocational training opportunities.

- 2.6 In light of the budgetary constraints and an enlarged client base due to the rise of registered unemployed, public and private employment services are called to raise the effectiveness and efficiency of their action. In many countries, synergies between different employment services and with social services are being sought to reinforce the impact of activation policies, particularly among the long-term unemployed, while ensuring an income support to those most in need. Moving towards a **mutual responsibility approach** in unemployment benefits arrangements can also help raise the effectiveness of public spending.
- 2.7 An important focus is given to policies stimulating job creation such as targeted reduction of non-wage labour costs of low skilled and vulnerable groups, promotion of self-employment or entrepreneurship, or improvement of SMEs competitiveness. In addition, **combating undeclared work** is deemed necessary to bring existing jobs into the formal economy, allowing workers to enjoy the benefits of regular contracts (example: access to social security systems) and contribute to the consolidation of public finances.
- 2.8 Several Member States draw the attention to the efforts being deployed by, or in conjunction with, social partners to keep wage developments in balance with productivity growth. The responsiveness of wage setting mechanisms to market developments also needs to be improved so that competitiveness of the Euro-area can be secured.
3. In light of the priorities of Joint Employment Report 2011 and confirmed by the examination, EMCO will, in the framework of the reinforced thematic surveillance currently being carried out, further report to EPSCO in December 2011 with in-depth analysis on measures to stimulate job creation and improve labour market participation of second earners and older workers.

Social protection and inclusion dimension of the NRPs

- 4. Adequacy and sustainability of social protection** are key elements in the priorities of the 2011 NRP(s):
- 4.1** Member States have taken serious steps to achieve the overall EU poverty target. However, delivering on the European Council commitment to lift at least 20 million people out of the risk of poverty and exclusion requires further efforts.
- 4.2** Member States responded to the call of the European Council from 24 March 2011 to enhance the sustainability of public finances and to ensure the adequacy of pensions and social benefits. Modernising social protection systems is undertaken with the aims of adapting to demographic changes and a shrinking labour force, to strengthen the scope of their coverage and adequacy based on sustainable financing, to increase the job creation potential and the poverty reduction impact of social benefits and to facilitate the labour market participation of people and maintain their employability.
- 4.3** The number of recipients of unemployment and social assistance benefits remains high, despite emerging recovery. A job-rich recovery will help reduce this number.
- 4.4** Measures are already being taken to address the pension systems ability to retain adequacy and sustainability. As stated by the European Council in its conclusions of 24-25 March 2011 on the Euro+Pact, pension systems need to be aligned to the national demographic situation, for example by aligning the effective retirement age with life expectancy. This can be achieved not only by raising the statutory retirement age, but also by reducing early retirement schemes and adapting pension rights to developments in life expectancy. This requires enhancing the labour market opportunities for older workers. These measures are pursued to secure the ability of social protection systems to maintain living standards after retirement, to promote adequate old-age income, health and long-term care and prevent an increase in poverty in old age. The increase of employment rates and sustained economic growth are crucial for sustainable and adequate pension systems.

5. Tackling poverty through inclusive labour markets and enhancing access to enabling services are among the main actions of Member States

5.1 Member States focus on designing active inclusion strategies as a key element to achieve inclusive growth. Concerted efforts at all level of government and in partnership with the social partners and NGO(s) are taken to improve access to jobs, tackle in-work poverty and to address labour market segmentation.

5.2 The review highlighted the potential for better interaction between employment and social protection policies:

- Better linking of social assistance and labour market support through stronger coordination between social services and services managing unemployment benefits and public and private employment services, introducing work incentives, training and job-search conditionality are identified as success factors.
- Better access to training for the low skilled and for those on temporary employment, introduction of wage subsidies and of in-work benefits for some categories of workers are measures taken to make labour markets more inclusive. Exploiting the job creation potential of entrepreneurship and of the social economy is seen as promising actions in this view.
- Available and affordable quality child care, flexible working arrangements and other reconciliation measures are keys for enhancing the labour market participation of lone parents and of second earners.

6. Protecting vulnerable groups, fighting homelessness and fighting child poverty are strong commitments to deliver inclusive growth:

6.1 Measures to protect vulnerable groups with serious difficulties in obtaining jobs - and which therefore rely on adequate social benefits – are pursued as necessary in the context of fiscal consolidation. In addition, providing integrated services tailored to individual needs is used to bring more people into employment and to increase the efficiency and effectiveness of spending.

6.2 Growing up in poverty has a detrimental impact on children's well being, on educational attainments and future life chances of future generations¹. Active inclusion strategies for families and children are seen essential for rolling back poverty by a proper mix of labour market policies, measures for reconciliation of work and family life, income support, with specific attention to lone parents and to families with other specific needs, focus on early childhood development, quality education, housing and healthcare, and social participation.

Concluding Remark

The two Committees will present their conclusions on proceedings and outcomes of the first European Semester in the Autumn.

¹ 25 million children were at risk of poverty or exclusion in 2009