



Steering note – Session 3: **WELFARE AND SOCIAL PROTECTION**

The new 2030 EU headline target on poverty and social inclusion as proposed in the European Pillar of Social Rights Action Plan



The number of people at risk of poverty or social exclusion should be reduced by at least

15 million people

by 2030, including at least **5 million children**

While emergency support measures have allowed Europe to mitigate the impact of the crisis, the social outlook remains uncertain. Poverty and social exclusion have declined in the EU in the last decade, but the COVID-19 pandemic is expected to lead to higher levels of financial insecurity, poverty and inequality in the short term. Moreover, the EU faces new challenges for its labour market and social fabric, given green and digital transitions, demographic changes, globalisation, accompanied by the increase in non-standard forms of work. These developments lead to systemic challenges to the future adequacy, coverage and sustainability of Member States' social protection systems.

Main issues for discussion:

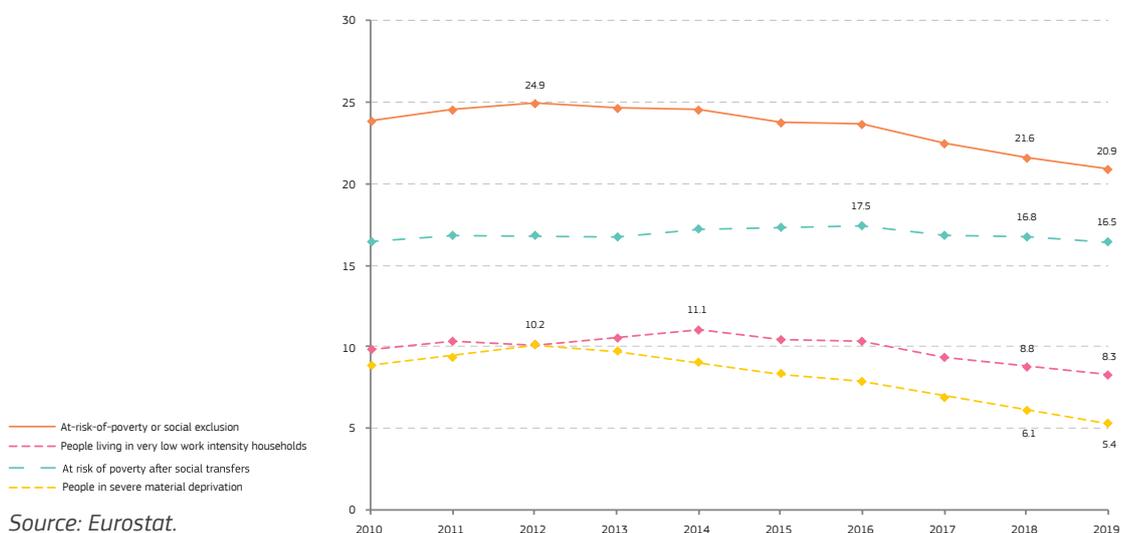
- What policies and tools can help to make the recovery more inclusive and fair?
- How to effectively support people in the most vulnerable situations, including children at risk of poverty or social exclusion?
- How to adapt social protection systems in a fast-changing world in order to reinforce coverage and adequacy, while ensuring their economic and financial sustainability?

1. Social protection and social inclusion in the EU

The number of people at risk of poverty or social exclusion in the EU decreased for seven consecutive years, standing at 91.4 million in 2019 (21% of the population). However, rates diverged across countries and were higher for some groups, including children, single parents, and older women. Moreover, income inequalities remained, as the relative income of the most vulnerable has not improved in the past decade, pointing to gaps in the adequacy and coverage of social protection.

With the COVID-19 crisis, the income situation and work intensity of households is likely to have worsened in 2020 and 2021, reversing the positive trend in poverty reduction. The crisis hit especially hard those in precarious jobs, including women and young people, and in sectors most affected by the lockdown measures. Low-skilled, low-paid and temporary workers were among the first to be laid off. Likewise, the impact of the pandemic was severe for persons in the most vulnerable situations, including persons with disabilities and elderly persons, relying on the support of social services that were sometimes interrupted during the lockdown.

Graph 1 At-risk-of-poverty or social exclusion rate and its sub-components in the EU



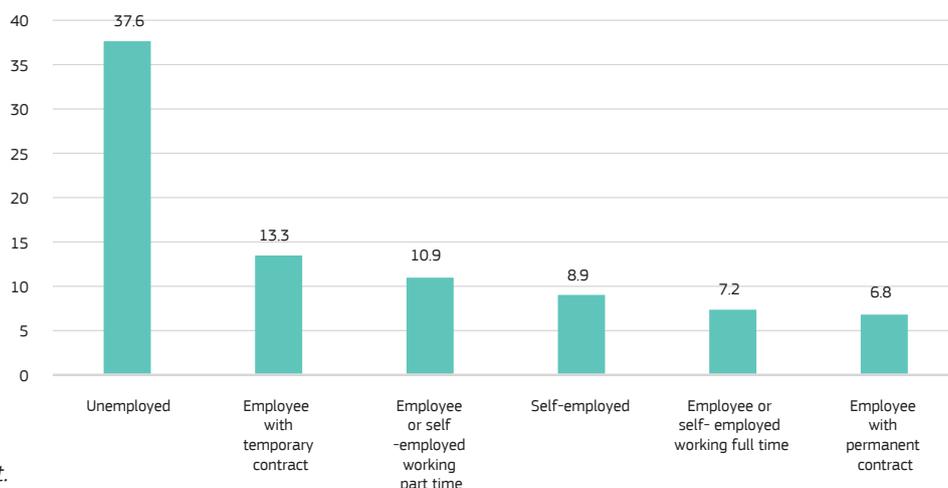
Source: Eurostat.

Health, education and social services are under severe strain, further exacerbating structural challenges they have been facing. More than one third of families with long-term care needs cannot afford professional home care, while the number of people in need of care is projected to rise by 3 million by 2030. Long-term care systems have been hit hard by the pandemic, particularly affecting the careers and living standards of women, who are both the main providers and the main recipients of long-term care.

Barriers related to income, age, territorial inequalities and shortage of infrastructure can make access to essential services of sufficient quality difficult, especially for people at risk of poverty and social exclusion. Access to affordable housing is an increasing concern in many Member States, regions and cities. Housing prices increased faster than household incomes, and in 2019 one in ten households in the EU spent over 40% of their income on housing costs. Moreover, available data show that the levels of homelessness have increased in most Member States over the last decade.

Europeans live longer than ever before and have increasingly dynamic and diverse careers. In the coming decades, the share of older people in the EU population will increase by one half. Combined with deep changes on the labour market, where 40% of the active population are already engaged in non-standard forms of employment and self-employment, these trends raise questions on how social protection systems can adapt to the changing society and world of work to continue providing adequate benefits and coverage.

Graph 2 Material and social deprivation rate by most frequent activity status in the EU27, 2019



Source: Eurostat.

The COVID-19 crisis has brought to the fore the importance of social protection in mitigating the effects of reduced economic activity. On top of the existing automatic stabilisers, Member States extended or scaled up existing schemes (e.g. sickness benefits, short-time work schemes, unemployment benefits, minimum income) and expanded their eligibility conditions, at least on a temporary basis. Countries with robust social protection systems and healthy public finances have been able to protect households from poverty more easily. The pandemic has also highlighted important gaps in social protection coverage, especially of job-seekers with precarious work histories and the self-employed. The number of people falling on unemployment benefits and other income support is likely to increase, testing the capacity of the social protection systems now and in the future.

2. Drivers of modern and inclusive social protection

Strong social protection systems and social inclusion policies are core components of the European social market economy. An integrated approach is crucial to address needs at all stages of life and target the root causes of poverty and social exclusion.

Investing in children is a very cost-effective policy which brings a secure long-term return. Supporting children at risk of poverty and social exclusion is key to breaking the intergenerational cycles of disadvantage. Ensuring access to key services can foster equal opportunities. To this effect, targeted national measures and investments are needed, in line with the proposal for a European Child Guarantee. **Minimum income protection measures are essential to ensure that no one is left behind.** While in place in all Member States, they vary significantly in their adequacy, coverage, take-up and articulation with labour market activation measures and enabling goods and services. In many cases, the eligibility criteria and levels of benefits would warrant modernisation.

Access to quality services is a precondition for economic and social inclusion and cohesive societies. Access to affordable and decent housing need to be ensured, including via tailored local or regional policy approaches to end homelessness.

Member States also face a systemic challenge of making their social protection systems fit for the future, in view of major transformations on the labour market, driven by digitalisation and new forms of work, as well as ageing and globalisation. Exceptional measures taken in response to the pandemic can be a source of inspiration for evaluating possible structural reforms that improve the protection for certain groups, in particular the unemployed, non-standard workers, and the self-employed. Rules governing contributions and entitlements to social protection benefits should take into consideration the changes in the labour market and the emergence of new risks.

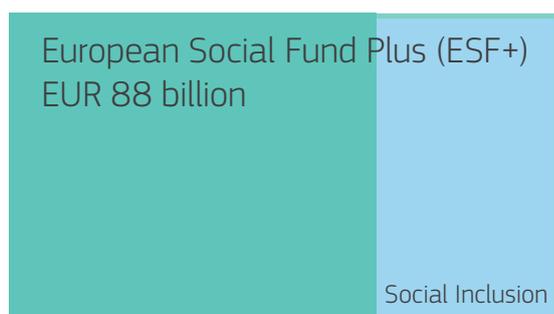
Social protection also needs to factor in existing and new forms of working patterns, from professional and geographical mobility to generalised teleworking and digital nomads working remotely across the EU. Innovative solutions, notably digital ones, can support the portability and transparency of social protection rights and cross-border coordination.

Ensuring the adequacy, affordability and sustainability of pension systems will remain a central issue. Recent reforms mainly focused on increasing the pensionable age and closing down early retirement opportunities. Still, many Europeans may face higher risk of old-age poverty and inclusive and adequate pension systems requires providing pension rights during career breaks for family reasons and ensuring that all types of work count towards pension rights.

Moreover, further reflection on the financing of social protection, and notably the financing models to enable continued solidarity between and within generations, is required to ensure equal and sustainable access to social protection in terms of groups and risks covered. The declining share of labour in the national income and the shift from social contributions to general government revenue will intensify the debates on expanding the tax base or shifting taxation to other forms of income.

Reforms and investments in health and long-term care should aim to increase the capacity to manage health crises, ensure access to quality healthcare and long-term care for all and reduce inequalities, also in view of the expected increased demand due to the ageing population. Working conditions and workers' access to training must be improved.

Appropriate levels of investment are crucial, and EU support can come from several sources. The European Social Fund Plus (ESF+) will invest a third of its budget in social inclusion. At least 25% of the national ESF+ resources should



be allocated to support those most in need and an additional minimum allocation of 3% of ESF+ national resources should be targeted to measures for the most deprived. The Member States most concerned must allocate 5% of their allocation to the fight against child poverty. Support will also come, related to specific needs, from the European Regional Development Fund, the Asylum, Migration and Integration Fund, EU4Health and InvestEU.

Increasing social inclusion is among the priority areas of the **Recovery and Resilience Facility**, with a focus on reforms and investments that will support those who have been hardest hit by

the COVID-19 crisis. **In the coming years, the European Semester will also ensure coordinated monitoring of the implementation of the Recovery and Resilience Plans** which, inter alia, should contribute to the implementation of the European Pillar of Social Rights. The deepened and expanded Joint Employment Report will allow the Commission to focus its analysis on relevant Pillar principles, with a more in-depth analysis of their implementation at EU and national levels, relying also on the revised Social Scoreboard.

3. Relevant EU-level initiatives for welfare and social protection

Selection of adopted or ongoing EU initiatives



Council Recommendation on access to social protection for workers and the self-employed

At the heart of this Recommendation, adopted in November 2019, lies the principle that all workers and the self-employed should be covered by social protection schemes regarding unemployment, sickness, maternity or paternity, accident at work and occupational diseases, disability and old-age.



Green paper on ageing

The Commission's Green paper on ageing launched a broad policy debate on the challenges and opportunities of Europe's ageing society. It sets out the impact of this pronounced demographic trend across our economy and society and invited the public to express their views on how to respond to this in a public consultation, which closed on 21 April 2021.



Proposal for a Council Recommendation establishing a European Child Guarantee

The European Child Guarantee aims to fight child poverty and social exclusion and promote equal opportunities. It gives concrete guidance to authorities in Member States on providing children in need with access to a set of key services, like education, health-care, housing and healthy nutrition, on an equal footing with their peers.

Selection of forthcoming EU initiatives:

Q2 2021

○ A European platform on combating homelessness

2022

○ Report of new High-Level Expert Group on **Access to Adequate and Sustainable Social Protection**

○ Guidance on **ex-ante distributional impact assessments**

○ Proposal for a **Council Recommendation on minimum income**

○ First EU report on **access to essential services**

○ Initiative on **Long-term care**