ISSN 1977-2343

European Commission

Social policies

Social Europe guide | Volume 5

Social Europe

Social policies

Social Europe guide

Volume 5

European Commission

Directorate-General for Employment, Social Affairs and Inclusion
Manuscript completed in November 2013

Europe Direct is a service to help you find answers to your questions about the European Union

Freephone number (*):

00 800 6 7 8 9 10 11

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

More information on the European Union is available on the Internet (http://europa.eu).

Cataloguing data as well as an abstract can be found at the end of this publication.

Luxembourg: Publications Office of the European Union, 2013

ISBN 978-92-79-31257-1 – doi:10.2767/56330 (print)
ISBN 978-92-79-31260-1 – doi:10.2767/57129 (epub)
ISBN 978-92-79-31254-0 – doi:10.2767/56269 (online)
ISSN 1977-236X

Printed in Belgium

Printed on elemental chlorine-free bleached paper (ECF)

Foreword

László Andor

Commissioner for Employment, Social Affairs and Inclusion

Over the decades, social policy across Europe has improved the life of our citizens, offering protection against a range of risks that people can face at different stages of their lives.

In the post-war period, countries have developed social policies in order to overcome inherited disadvantages and move towards a more equal society. This also helped to deliver on specific objectives like insuring against hardship, stabilising people's incomes during economic downturns, and investing in people's skills and capabilities.

Despite variations across Member States' social policies, there is remarkable commonality in terms of the objectives of their systems, allowing us to talk of a distinctively European approach to social policy.

Today, EU Member States face common challenges in adapting their social policies in order to continue meeting their objectives. As a result of the recent economic and financial crisis, poverty and social exclusion has increased. The adequacy and sustainability of social protection is at risk in many countries, given demographic ageing, high levels of unemployment and inactivity. Progress towards the Europe 2020 targets on employment and fighting poverty is insufficient.

Nevertheless, it remains true that the Member States that have made the most sustained commitment to social investment – benefits and services that strengthen people's skills and capabilities

in a preventative way – have weathered these challenges better.

In February 2013, the European Commission adopted the Social Investment Package, building on the positive experience of some Member States and providing guidance on how to modernise welfare systems in response to Europe's common challenges like child poverty or homelessness. It stresses the importance of activating and enabling policies to improve social inclusion and access to the labour market.

'Preparing' people to confront risks throughout their lives, rather than simply 'repairing' the consequences, is key to the social investment approach. More effective and efficient social spending, for instance through integrating and simplifying benefits and services, should furthermore avoid unnecessary overlaps and make it easier for people to access the support they need.

Dignified standards of living must also be ensured through adequate benefits and quality services. The EU financial instruments, and notably the European Social Fund, have to be used more effectively in this context. Social innovation should be more widely pursued.

This volume sets out the changes in our societies that pose new challenges for social policy. It goes on to outline how social investment helps to meet these challenges – investing in people and strengthening their capacity to deal with life's challenges. Finally it describes how the EU provides support and direction to Member States' efforts in reforming their welfare systems to better respond to today's crisis and tomorrow's needs.

Table of Contents

Introduction

This volume of *Social Europe* provides a brief summary of European social policy, the social challenges facing many EU countries today, and the EU's role in helping Member States carry out the reforms needed to ensure that social policies are both adequate and sustainable in the long run.

Europe's social protection systems are among the most advanced in the world. The Commission's 1994 White Paper on social policy[1] described a 'European social model' that is based on the conviction that economic progress and social progress must be pursued together. The model embraces such values as democracy and individual rights, free collective bargaining, the market economy, equal opportunities for all, and social protection. This social model did not develop by chance – the European Union has been an influential in the development of Member States' social policies. The 1957 Rome Treaty included areas of intervention such as improved working conditions and equal pay between women and men. The 1974 Social Action Programme worked to improve the vocational and social rehabilitation of disabled people. The Treaty of Amsterdam in 1997 reinforced this social model by setting out the objective of combatting social exclusion, opened the possibility for directives in such areas as parental leave arrangements, and paved the way for the Open Method of Coordination (see Chapter 3).

European welfare systems play a major role in improving social outcomes, but they are increasingly under strain. As shown in Chapter 1, Europe is experiencing several long-term trends and short-term social challenges that render social policy reform necessary if we are to preserve the European social model. Large differences exist between EU countries in levels of unemployment, poverty and social exclusion, but all face similar trends. Demographic changes, an ageing population and decreased fertility make it more difficult to finance healthcare, pensions and other social policies. At the same time, the economic, social and financial crisis has aggravated social problems. In 2011, 120 million people, nearly a quarter of the EU population, were at risk of poverty or social exclusion, and unemployment remains very high. Further, the structure of employment across the EU is becoming more polarised between high-income and low-income jobs, thus increasing inequality. Not only do these trends towards polarisation within and between countries run counter to European values of fairness and dignity for all, they also pose a threat to our economy, as poverty, inequality and social exclusion bring with them significant social and economic costs.

(1) *European Social Policy – a Way Forward for the Union*, COM(94) 333, Brussels. 27.7.1994.

The European Union has committed itself to addressing these challenges. Reforming social policies and improving the social situation is high on the agenda, and as part of the Europe 2020 strategy the EU has set itself the ambitious target of bringing 20 million people out of poverty by the end of the decade. To help Member States achieve these commitments, in February 2013 the European Commission adopted a Social Investment Package, which sets out an agenda for social policy reform to respond to the above challenges. The Package, which is described in Chapter 2, calls on Member States to ensure adequate standards of living, supported by adequate benefits and quality services, and stresses the importance of activating and enabling policies to improve social inclusion and access to the labour market. It also underlines the need for more effective and efficient social spending. *Preparing* people to confront risks throughout their lives, rather than simply *repairing* the consequences, is key to the social investment approach. This is why the Package urges Member States to adapt their social policies to the needs of individuals at various stages of their lives and to intervene as early as necessary to prevent hardship from compounding over time. Embracing innovation and creating a favourable environment for social enterprises are also important when it comes to meeting new social challenges.

How will the EU translate its policy priorities into action? Chapter 3 provides a brief overview of the EU's governance framework and the EU funds available to help Member States carry out the necessary reforms. The chapter explains the objectives of the Europe 2020 strategy and the role of the European Semester in monitoring the achievement of the Europe 2020 targets, identifying priorities through the Annual Growth Survey, and providing country-specific recommendations. It also highlights how the social Open Method of Coordination promotes Member States' exchange of information and coordination of policies in the areas of poverty and social exclusion, pension systems, and healthcare and long-term care. This chapter also discusses the role of EU Funds – especially the European Social Fund – in supporting social policy reform. It also explains two new forms of EU financial support, the Employment and Social Innovation (EaSI) programme and the Fund for European Aid to the Most Deprived (FEAD), the former supporting social policy innovation and the latter providing basic goods such as food and clothing to people urgently experiencing need. After introducing the relevant EU instruments, the chapter shows how they actually work together to help implement the Social Investment Package.

Leading figures shaping the social policy debates across Europe also feature in this publication. Among them is Joan Burton, Ireland's Minister for Social Protection, who during the Irish Presidency of the Council of the European Union was a prominent voice in the discussions on how the Member States can move

forward to put a greater emphasis on social investment. Heather Roy, President of the European Social Platform, which brings together European NGOs working in the social sector, discusses the need for policy reform towards greater social investment and social protection, as well as the importance of stakeholder involvement. Frédéric Daerden MEP shares his views on the role of the European Union in the field of social policy.

What is made clear in this publication is that well-designed social policies can help individuals, families and society adapt to the current challenges. The EU is therefore working to support social investment in the months and years ahead.

CHAPTER 1

European Social Policies and Challenges

Objectives. The social policies that have been developed over time in Europe are a great achievement. They have offered European citizens a high level of security in the face of many of life's risks, and continue to do so. They have also helped people avoid and prepare for some of these risks, through education, training, healthcare and pension systems. They underlie societies in which prosperity is broadly shared and all have greater confidence that help is at hand when we need it.

Social policies typically fulfil three functions: social investment, social protection and economic stabilisation.

Investment. A key function of social budgets is to strengthen people's skills and capacities in order to prepare them to confront or prevent risks over the course of their lives and improve their future prospects. In other words, the effects of social policies are felt not only immediately, at the time they are implemented, but also in the longer term: they resemble an investment in that some of their returns come over time, e.g. in terms of increased employment or income, which enhance growth. In particular, social policies *prepare* individuals, families and societies to adapt to various risks and changes (such as changing career patterns, new working conditions or an ageing population, cf. Vandenbroucke et al., 2011) and can thus reduce the need for responses designed to *repair* adverse situations. For example, good quality childcare and early childhood education have been proven to have a strong impact on children's chances of finishing their studies and finding employment, or avoiding extreme risks such as delinquency and drug abuse. Preventive healthcare and health and safety at work help people to avoid sickness and maintain their productivity. Retraining and lifelong education help people to maintain employability and to obtain better jobs over their working lives. Promoting a healthy lifestyle, rehabilitation and access to assistive devices enables older people to lead independent lives as they become frail and develop functional limitations.

Protection. Social policies also support and protect us when a social risk becomes reality, so that we do not have to spend our lives worrying what will happen if we lose our jobs or fall ill, or when we are old and no longer able to work. Social insurance pools risks and redistributes contribution revenues in benefits to those affected. Typically, unemployment benefits provide people with an income as they look for work, and social assistance does the same if they are unemployed for a prolonged period, while also supporting those who for one reason or another cannot go out

to work. Social protection provides insurance against social risks throughout our lives (e.g. health and long-term care, sickness benefits, disability and survivors' pensions) and redistributes income from those in active work to those who have retired (e.g. through pensions).

Stabilisation. In periods of economic downturn, the need for social intervention rises rapidly while revenue automatically declines. This has a substantial countercyclical macro-economic effect, dampening fluctuations in GDP and in household incomes. Typically, total unemployment benefits (and to a lesser extent other benefits such as social assistance) automatically rise in response to a downturn, while retraining schemes run under active labour market policies also increase in volume. This cushions the impact of an economic downturn or crisis on those directly affected (e.g. by losing their jobs or working fewer hours). Pensions also stabilise incomes towards the end of life and offer a second line of automatic stabilisers, as they remain stable while active incomes decline.

In the current economic climate, public budgets are under pressure due to fiscal consolidation concerns. While some Member States have more fiscal space, most have little scope to spend more on social protection. It is therefore essential to ensure the best use of existing resources and to avoid the potentially lasting adverse effects of consolidation in the area of social policy on the prospects for sustainable, inclusive and smart growth. In this respect, well-designed social systems combining social investment with the other two functions (protection and stabilisation) can contribute to the effectiveness and efficiency of social policies.

In practice, social policies very often feed into two or all three of these mutually reinforcing functions. Typically, the protection function during adverse periods enables previous investments in human capital to be preserved. For instance, childcare has a protection role, but, if well designed, it also has a significant investment dimension, i.e. enhancing the skills and inclusion of the individual. Sweden has one of the highest female employment rates in Europe thanks to family-friendly employment policies and generous parental leave, coupled with investment in universal childcare provision. It would thus be misleading to assign individual social policies to a specific function (investment, protection or stabilisation), although some can be more directly linked to one of the three. Typically, protecting human capital in times of adversity serves to preserve earlier 'investment' of this kind.

Unemployment benefits, for instance, can function as protection (in the form of the benefits themselves) but also as investment (by preparing future labour market prospects through effective targeted activation measures and preserving human capital through a period of unemployment) and can also play a key role in automatic stabilisation. Pensions have a strong protection function and also help stabilise household incomes and internal demand in recessions, while also

providing an element of social investment by helping to maintain older people's independence. Likewise, healthcare has a key protection function, but also a crucial investment function as regards the early detection and prevention of diseases (e.g. cancer screening).

While there is thus no exclusive correspondence between the various social policies (or risks) and the three functions of investment, protection and stabilisation, specific social policies can be more specifically linked to one or the other, depending in particular on the exact form they take, on national specificities and circumstances at the time. For instance, preserving human capital and strengthening the family's relation to the economy and the link to employment are generally more closely related to the social investment function (Vandenbroucke et al. 2011), especially in areas such as childcare, active labour market policies, rehabilitation, education and training.

Although these are overarching objectives, social policies have emerged and developed in different ways and at different times in different countries, and have always needed to adapt to changing circumstances. In the recent period, however, changes have been so rapid and all-embracing as to present an existential challenge – and opportunity – to Europe's social policies to effectively fulfil all three of their functions. This chapter provides a comprehensive overview of the range of changes and challenges that Europe is currently facing.

Though their individual economic, employment and social situations vary widely, EU Member States all face common challenges that threaten the sustainability and adequacy of their social models. Due to the economic and financial crisis, poverty, social exclusion, inequality and unemployment are all on the increase across the EU. Furthermore, the challenge of an ageing population with fewer citizens of working age is also threatening the sustainability and adequacy of our social models and calls into question the future financing of our social protection systems. Changing family structures and women's increasing educational attainment and labour

market activity mean that social policies need to relinquish the 'male bread-winner' model of the nuclear family. While rising life expectancies and increased gender equality are clearly to be celebrated, these changes also bring challenges and social policies require modernisation if they are to continue to protect, invest and stabilise.

We are in a situation where social policy instruments at national level are no longer suited to social policy objectives: dramatic changes have disrupted the relevance of the former to the latter. The instruments now need to be adapted to ensure that the objectives can still be attained.

Current social policy challenges

Though their individual economic, employment and social situations vary, EU Member States all face common concerns with regard to the sustainability and adequacy of their social models.

Europe is going through a period of dramatic demographic change as regards the size and make-up of its population. By 2030, the number of people over 65 will have increased by 46 % and the number of people 80+ by 68 %. Over the same period, the working-age population is expected to decline by 15 %. Increased ageing of the population means that more money is needed to finance more pensions and long-term care at the same time that there may be less people at work and thus providing the finance.

The economic crisis has also posed a new challenge, as it has raised unemployment, decreased tax revenues and increased the number of people who need most kinds of benefits. The extent to which social policies are able to protect against life's risks is reaching certain limits; in 2011, nearly one in four (24.2 %) of the EU-27 population, almost 119.6 million people, were at **risk of poverty or social exclusion**. The figure was almost 1 percentage point higher than in 2010.

© Imageglobe

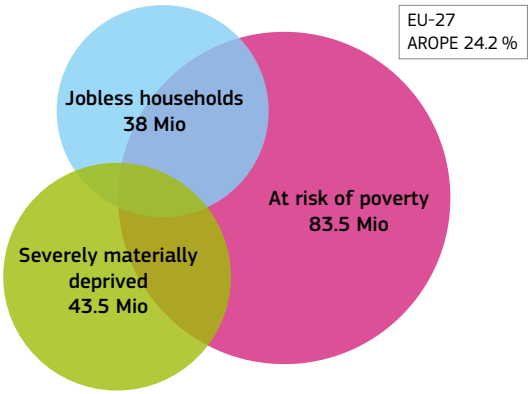
Box 1: What does it mean to be 'at-risk of poverty or social exclusion'?

A person is considered to be at risk of poverty or social exclusion if s/he experiences one of the following three conditions:

- **S/he is at risk of poverty:** living in a household with an 'equivalised disposable income' below the risk of poverty threshold, which is set at 60% of the national median equivalised disposable income (after receiving benefits).
- **S/he is severely materially deprived:** with living conditions constrained by a lack of resources and involving at least four of nine deprivation items: cannot afford 1) to pay rent/mortgage or utility bills on time, 2) to keep home adequately warm, 3) to face unexpected expenses, 4) to eat meat, fish or a protein equivalent every second day, 5) a one-week holiday away from home, 6) a car, 7) a washing machine, 8) a colour TV, or 9) a telephone (including mobile phone).
- S/he is living in a **jobless household / household with very low work intensity**: where on average the adults aged 18-59 worked less than 20% of their potential total working hours in the past year. (Students are excluded from consideration).

The total number of people at risk of poverty or social exclusion is lower than the sum of the numbers in each category, as some fall into more than one category.

Population at risk of poverty and social exclusion in the EU (2011*)

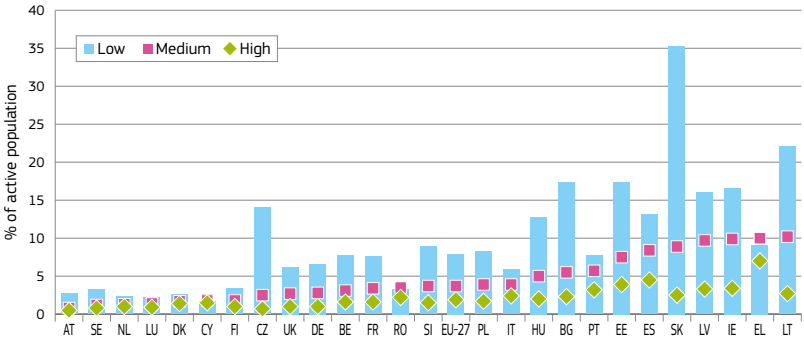


Source: Eurostat, EU-SILC 2011, *2010 data for Ireland.

In most Member States, homelessness also seems to be on the rise. According to national experts, it increased in the five years to mid-2011 in 15 Member States (AT, CZ, DE, EL, ES, FR, HU, IE, IT, LT, PL, PT, SE, SI, UK), decreased in two (FI, NL) and remained stable in one (DK). According to a 2010 Eurobarometer survey, more than 3 million Europeans feel at risk of becoming homeless. The percentage of Europeans who say they are very and/or quite likely to have to leave their accommodation within the next six months increased from 4 % in 2007 to almost 6 % in 2011.

Though the rise in unemployment has been dramatic – reaching a new high of 26.6 million in April 2013, or 11.0 % of the active population – not everyone has been affected equally. A person's level of education and skills is a major factor influencing their risk of unemployment. The long-term unemployment rate rose to 4.9 % in the last quarter of 2012.[(2)] For those with lower education levels (7.9 %), it was more than four times higher than for the highly educated (1.9 %) and more than twice as high as for those with medium-level education (3.7 %).

Long-term unemployment rate by educational level, as a percentage of the active population, 2011



Source: DG EMPL calculations based on Eurostat, EU-LFS.

(2) *EU Employment and Social Situation*, Quarterly Review, June 2013, http://ec.europa.eu/social/BlobServlet?docId=10312&langId=en.

In April 2013, **the youth unemployment rate (15-24 years old) in the EU stood at 23.5%**. It has increased dramatically since the start of the crisis, though there are substantial variations across Member States and signs of stabilisation in 2013. Although education and skill level plays a major role in improving the employability of individuals, the labour market situation of recent graduates from education and training has also deteriorated. In fact, the employment rate for recent graduates aged 20-34 from at least upper-secondary education has fallen by almost five percentage points since 2008, to 77.2% in 2011.[3] This figure highlights the particular difficulty that young people have in transitioning from school to employment.

Box 2: What are 'NEETs'?

The deterioration in the employment situation for the young has led to a sharp rise in the number of young people who are not in employment, education or training (NEETs). The percentage of young people under 25 who are in this category is rising.

In the fourth quarter of 2012, 7.4 million young Europeans between 15 and 24 (i.e. 13.2%) were NEETs. This is 1.6% points more than four years earlier.

NEET status can be seen as a specific measure of youth social exclusion, reflecting lack of contact with the labour market and education, and has implications not just in the present but also for future inclusion in society. The risk of NEET status is disproportionately linked to low educational attainment and early school-leaving. Many of those concerned also lack the soft skills, vocational training and work experience to navigate the transition into the labour market when they leave school.[1] This often indicates earlier social exclusion, during childhood years.

A December 2011 Eurofound study estimates the total economic cost of NEETS in 21 EU countries at approximately €100 billion, which corresponds to 1% of their aggregated GDP. This breaks down into €94 billion in foregone earnings and €7 billion in excess transfers. The cost for some countries, such as Bulgaria, Cyprus, Greece, Hungary, Ireland, Italy, Latvia and Poland, was put at 2% or more of their GDP.

The study also revealed a low level of trust in institutions among NEETs and a low level of political and social participation. Empirical evidence confirms that NEETs are more likely to become disaffected and to withdraw from society.

(1) Bynner, J. and Parsons, S. (2002), Social Exclusion and the Transition from School to Work: The Case of Young People Not in Education, Employment or Training, Journal of Vocational Behavior, 60, pp. 289-309.

(3) European Commission Staff Working Document *Evidence on Demography and Social Trends – Social Policies' Contribution to Inclusion, Employment and the Economy*, SWD(2013)38.

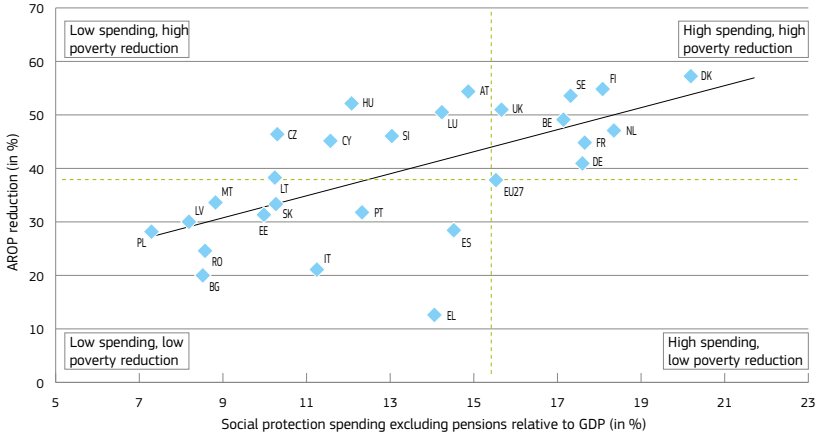
There is evidence showing that the crisis has reinforced wage polarisation, and thus wage inequalities. Job growth in the top 20% of wages has persisted mainly because of the rise of knowledge-intensive services (KIS) including public services (mainly education and health) and private services (business services). There are strong indications that, in the long term, employment creation in the services sector will be characterised mainly by employment growth at the top and bottom. This trend toward further segregation means those in lower-end employment are at growing risk of limited career mobility possibilities. In most countries, inequalities between workers have also been further aggravated by the polarisation of households where both people work compared to households where nobody works. These concerning trends highlight the need for social investment to develop human capital and improve people's employability.

The situation for EU citizens has been made worse by the **weakening of social protection systems.** In the first phase of the crisis, social benefits played an important role in sustaining household incomes during unemployment and preventing people from slipping into poverty and exclusion. However, social expenditure declined in 2011 and 2012, even in countries where unemployment kept rising or remained at high levels. This was a result of a number of factors: the phasing out of entitlements; measures that reduced the level or duration of the benefits; or the tightening of eligibility rules.

Member States must respond to these challenges at the same time that budgets are under pressure. They therefore need to improve the effectiveness and efficiency of social spending, and to adapt the way social policies are financed. Increases in social spending are linked to a reduction in the risk of poverty and social exclusion, reflecting the impact of social policies in protecting people. However, the effectiveness of policies in this respect varies quite significantly across the Member States, showing that there is potential for efficiency gains.

Similar budgets lead to very different results

Social protection spending (relative to GDP) and relative reduction in share of population (aged 0-64) at risk of poverty (2010)



Source: ESSPROS and EU-SILC.
Note: Shows relationship between social protection spending (excluding pensions, relative to GDP, as a percentage) and relative reduction in the share of population (aged 0-64) at risk of poverty (as a percentage) (2010). AROP = at risk of poverty, below 60% of the median income.

In many Member States, the efficiency and effectiveness of social spending must improve to ensure that it is sustainable and can deliver what is required. The size, structure and design of social policies all matter for the performance of welfare systems:

- A multiplicity of benefits, agencies, and conditions for entitlement leads to extra administrative costs and low take-up by those most in need.
- Insufficient monitoring results in unnecessary spending.
- Poorly targeted cash benefits and social services do not reach the people in need of assistance.
- There is insufficient use of opportunities for mutually reinforcing synergies between different social and employment policies.

It is also important for Member States to address the **intergenerational transmission of disadvantage.** The need to invest in people's skills and capacities and to ensure for them an adequate standard

of living starts at a very early age and continues throughout life. **Children who grow up in poverty often stay in poverty for their entire lives.** Children experiencing poverty and social exclusion are less likely than their better-off peers to do well at school, to enjoy good health or to realise their full socio-economic potential later in life. Numerous studies show that children growing up in poverty have lower levels of educational attainment and that the gap between these and those of students from higher-income backgrounds widens over time.[4] Levels of educational attainment for students from low-income backgrounds are also lower, resulting in a higher risk of unemployment and lower earnings potential.

Europe will also not achieve progress without **addressing the issue of gender inequality.** Overall 12 million more women than men in the EU are living in poverty. As well as earning lower wages, fewer women have jobs while those that do work shorter hours, partly because of unpaid household, childcare and long-term care tasks. Taken together, these three factors mean that in Europe women's gross annual labour market earnings are 42% below those of men. Women, including many single parents are becoming increasingly vulnerable to homelessness and more exposed to domestic and street violence. Gender inequality affects women throughout their lives and its negative effects build up over time, resulting in lower overall GDP, lower wages and social security contributions and higher poverty among older women. A recent Commission report revealed that women's pensions in the EU are on average 39 % lower than men's.[5]

There is also a need for more effective social inclusion and integration policies for migrants and ethnic minorities. Migrants from outside the EU are far less likely to find employment, and experience greater of experiencing poverty and social exclusion. In the last quarter for which data are available (2011Q2), the employment rate for migrants from outside the EU was 55.6 %, far below the levels recorded for Europeans working in their own Member State (64.8 %).

These differences can be explained by the combination of:

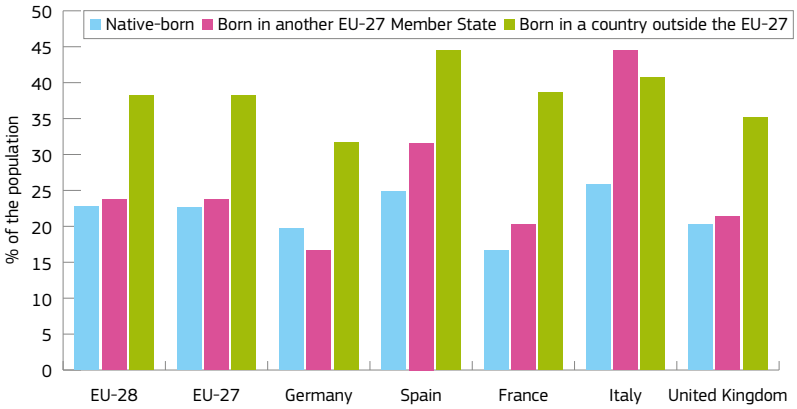
- lower labour market participation rate of third-country migrant women; and
- greater labour market integration difficulties (e.g. language barriers, discrimination, etc.).

The risk of poverty or exclusion among the migrant population consequently remains much higher than for the EU population overall. The risk of poverty or exclusion for people aged 18+ born outside the EU-27 stood at 37.8 % in 2011, as compared with 20.8 % for those living in the country of their birth and 22.2 % for those living in another Member State.

(4) See, for instance, Sparkes, J. and Glennester, H. (2002) *Preventing Social Exclusion; Education's Contribution*.

(5) Francesca BeJ32ttio, Platon Tinios, Gianni Betti, *The Gender Gap in Pensions in the EU*, European Commission, 2013, http://ec.europa.eu/justice/gender-equality/files/documents/130530_pensions_en.pdf

At risk of poverty and social exclusion rate for people aged 18+ by country of birth, 2011

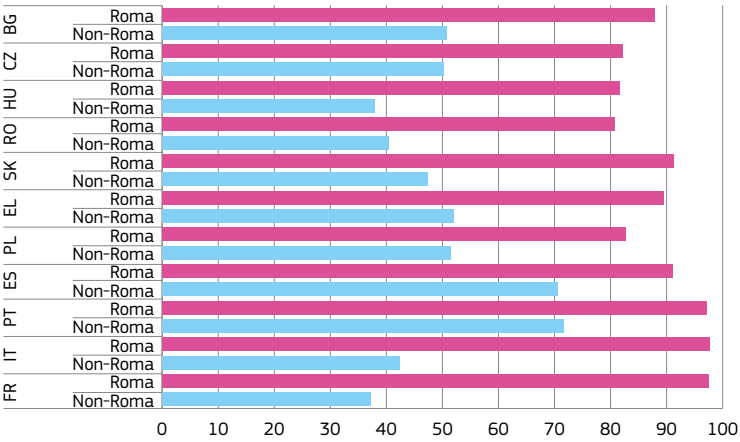


Source: Eurostat – EU SILC 2011.
Note: 2010 data for IT and UK.

Young people with a migration background are also at greater risk of dropping out of school (with the exception of the UK and Portugal). In 2011, the early school-leaving (ESL) rate of young people born abroad was on average double the ESL rate of nationals (24.9% as compared with 12.4%).

Evidence (shown in graph below) also shows that ethnic minorities, including **the Roma,** experience more severe poverty and social exclusion than other groups in the societies in which they live. This is due to a complex mix of factors, primarily low educational attainment, low levels of employment, significantly worse health status, and poor housing and living conditions. Moreover, poverty and social exclusion experienced by Roma is often intensified by discriminatory treatment and prejudice.

Persons living in households at risk of poverty (%)



Source: FRA Roma Pilot Survey (2011), UNDP/World Bank/European Commission Regional Roma survey 2011.
Note: Non-Roma here refers to non-Roma living geographically close to areas with a concentrated Roma population.

Growing divergence between Member States and increasing polarization within societies are undermining growth and threatening the social cohesion and the sustainability of public finances. Severe social imbalances can threaten the Economic and Monetary Union as much as fiscal or external imbalances. There is a need to implementing the right social policies means investing in people and thus creating a catalyst for competiveness and economic growth in a globalized world.

Conclusion

In this chapter we have seen how a series of developments – both long- and short-term – put into question the continued ability of Europe's social policies to contribute to social wellbeing and economic stability. There is a common thread to the challenges presented above: they restrict the number of people who are able to play a full part in society and employment, and consequently enjoy a decent standard of living, while increasing the number of those who cannot. Discrimination (e.g. towards migrants and ethnic minorities) and barriers to entering the labour market, such as a lack of affordable quality childcare services, further prevent people from realising their full potential. In the following chapter, we shall examine what policies can address these trends.

CHAPTER 2

© Imageglobe

A Way Forward: Social Investment

In February 2013, the Commission adopted the Social Investment Package, which provides comprehensive social policy guidance to Member States on how to adapt their social policies to the current challenges and help achieve the Europe 2020 target to reduce poverty and social exclusion by 20 million people by 2020 (see Chapter 3 for more information).

The Social Investment Package sets out a European-level policy framework in response to the challenges outlined in Chapter 1, to help Member States update their social policies to make social protection more adequate and sustainable, to invest in people's skills and abilities, and to support individuals in times of crisis. With a view to their coherent Europe-wide modernisation, the Package addresses the whole range of social policies, building on Member States' expertise and best practices. It also includes measures to attract private and third-sector resources and increase funding in social investment through innovative financial instruments.

The Package is organised around one of the key functions of social policy, social investment, which goes hand-in-hand with the other two functions, providing social protection and stabilising the economy. As already discussed (see Introduction), social investment involves boosting people's skills and capacities, facilitating their participation in society and the economy, and improving their future opportunities. Social investment builds on the knowledge that society can achieve better outcomes, and make savings on later social and other spending, by pursuing social policies that *prepare* people to avoid, escape from, or cope with risks that arise in the course of their lives. Preventative approaches and timely investment mean that people have less need for help to *repair* the damage that would otherwise be caused.

Examples of this kind of investment include early childhood education and care, preventing early school-leaving, lifelong learning, training and job-search assistance, housing support, accessible health services and helping people live independently in old age.

Some Member States have already taken steps to reform their social models, changing both the scale and the structure of their social protection systems. The Member States that have been the most successful in meeting the challenges of the economic crisis are those that have maintained adequate social protection systems, reformed their labour markets and adopted policies based on social investment.[6]

(6) See European Commission Staff Working Document – *Evidence on Demography and Social Trends – Social Policies' Contribution to Inclusion, Employment and the Economy* SWD(2013)38.

The EU's adoption and endorsement of a comprehensive social investment approach is timely and indeed necessary, as a framework to tackle the challenges analysed in Chapter 1. This analysis makes it clear that the status quo in policy terms is not an option: failure to modernise social **policies** would increasingly undermine achievement of the social **objectives** which underlie the European social model and, consequently, Europe's prospects for inclusive, sustainable and smart growth as outlined in the Europe 2020 strategy. As shown in Chapter 1, the structure of society and the economy has changed in such a way that policies that were sustainable in the past are so no longer. In some cases this is because the proportion of the population funding the policies has shrunk, in others because needs and the demands on social policy have grown. We must therefore improve the effectiveness and efficiency of social policies, while also taking advantage of possible new sources of funding.

Key ways to achieve this include:

- Developing policies (e.g. taxation) and support services (e.g. early childhood education and care) to encourage women to enter the labour market;
- Investing in children to secure better outcomes for them over their lives and at the same time reducing later demands on social and health programmes;
- Supporting active ageing, including the possibility for people to work longer, now that we live longer, and live healthily for longer;
- Tackling the discrimination that excludes people from society or confines them to limited, unfulfilling and not fully productive roles in the labour market.

Some Member States – but far from all – have taken important steps to reform various aspects of their social policy in these ways.

Box 3: Achieving social or economic objectives – a false dichotomy

Social policy modernisation must meet the economic and demographic challenges and at the same time make for a better society for European citizens. It is not necessary to choose between the economic and the social objectives.

To illustrate this with reference to the issue of ageing: People generally want to stay active as long as possible, living in their own house or flat rather than an old people's home, with a lifestyle that allows them to get out and take part in activities. Medical advances and newly available technologies and forms of organisation mean that this is much easier than it was in the past. When older people are more healthy and more active, the shortage of workers is attenuated in two ways: people are able to work longer and retire later; also, not only do they have a better retirement,

but the calls on younger people to care for them, and thus pressures on the labour market, are reduced. This is an illustration of how the challenges can and should be tackled – not on the basis that the only purpose of life is to work and so the challenge is to compel as many as possible to work as much as possible, but rather in a way that actually contributes to a better life for all while also helping to meet the economic challenge.

The same applies in relation to gender. We need to give couples, in particular, opportunities to decide for themselves how they want to organise their work and private lives, by providing the kind of support that makes it a viable option for both to work, and to work the number of hours that they choose. One key factor in this decision is the availability of early childhood education and care at a reasonable cost. But early childhood education and care is not simply or even primarily a measure to enable parents, which generally means mothers. It has also been demonstrated to have an enormously positive influence on young children's later prospects in life: the provision of quality early childhood education and care is one of the keys to breaking the cycle whereby poverty and disadvantage pass from one generation to the next. Again, what is desirable on economic grounds is also desirable on social grounds.

In these two examples, the policy geared to improving people's welfare, in the form of an active old age or by giving parents realistic alternatives as regards their working hours, is also the policy that contributes to the economy. This is not fortuitous, but follows from an overall logic whereby the solutions suggested by a social investment approach to economic and demographic challenges also have major positive social impacts on people's lives. The logic is as follows: people prefer to be active and healthy, well-educated and skilled, and generally in control of their lives. And it is also true that such people are much better placed to contribute to society and the economy, and less often need to call for help from social services or the health system. So the social investment approach of *preparing* people for life's risks, thus reducing the need for *repair* when the risks materialise, contributes at the same time to increasing wellbeing and facing economic and demographic challenges. It is a move in the direction of the kind of society that people want.

The policy framework is divided into three separate pillars, which define the different areas where social policy needs to be modernised across the EU.

Increasing the sustainability and adequacy of social budgets through simplification and better targeting

Improving effectiveness and efficiency

As illustrated in Chapter 1, the effectiveness and efficiency of social policies in achieving their objectives vary widely across the EU. Simplifying benefit administration and creating one-stop-shops to access support is one way to improve effectiveness and efficiency. Eliminating multiple benefit applications and making support arrangements easier to understand and less time-consuming to access can improve the take-up of benefits by those who are entitled to them. Simplified benefit systems are also less expensive to administer and more resistant to fraud. Also, streamlined systems incorporating both in- and out-of-work benefits help to smooth the transition into and out of work and reduce disincentives to entering the labour market.

In health systems, there is also significant scope for efficiency gains. Several Member States could improve the health status of their population, without increasing health spending, through better health promotion and disease prevention, reducing the unnecessary use of specialist and hospital care by relying more on general practitioners, ensuring the cost-effective use of medicines (including by relying on generic drugs), assessing the cost-efficiency of health technology more systematically before using it and using IT solutions to make processes more cost-efficient.

Box 4: Efficient prescription service in Sweden

The delivery of '**ePrescriptions'** in **Sweden** is a joint effort between pharmacies and all county councils. 42 % of all prescriptions are now transmitted from the doctor to the pharmacy electronically via Sjunet, the Swedish ICT network for healthcare, or using web-based prescribing.

The use of ePrescriptions has **increased prescription security and quality** and reduced medication errors by 15 %.

This has led to considerable savings of time for healthcare providers: Stockholm physicians and pharmacists estimate that they save 30 minutes a day by using ePrescriptions. Patients have benefited from a dedicated medicine information hotline which has improved knowledge, safety and their freedom to choose from which pharmacy to collect their prescription.

Pursuing activating and enabling policies through targeted and more effective support

Too many barriers remain which stop people from participating in society and working, or limit confine them to limited and unsuitable roles that do not allow them to make the most of their abilities. These barriers arise from action and from omission: in some cases, notably where some form of discrimination is involved, people are not given access to schools, jobs, clubs or other openings that would enable them to live a full and productive life. In other cases, there is a lack of systems and arrangements, such as affordable good-quality care services, allowing full participation in the workplace and other areas of society. Tax and benefit systems need to ensure that work pays and social policies should secure adequate livelihoods. Barriers to the participation of women and other under-represented workers in the labour market should be addressed. Early intervention is needed, complemented by access to basic services, such as basic payment accounts, the internet, transport, childcare, education and health.

Active inclusion

The Social Investment Package builds on the 2008 Commission Recommendation[7] that Member States establish an integrated and comprehensive strategy to promote the **active inclusion** of people in society, and as appropriate in the labour market, whether they are male or female, young people, older workers, disabled, or suffering from poverty or other disadvantages.

Active inclusion strategies[8] are the way to help integrate those who can work into sustainable, quality employment, and provide those who cannot with enough resources to live in dignity. They do this by removing the remaining obstacles preventing people from working and participating in society. A key feature of such strategies is investing in social policies, services and cash benefits which activate people and enable them to develop their skills and obtain an adequate standard of living. This approach has been agreed at EU level, and combines three mutually reinforcing strands:

- Providing adequate, well-designed income support for those who need it, while helping them back into jobs, e.g. by linking out-of-work and in-work benefits;
- Ensuring inclusive labour markets and employment policies that address the needs of those least likely to get a job, by tackling workplace discrimination and removing barriers to labour market participation such as inflexible work arrangements and unaffordable care services; and
- Providing quality social services to support active social participation.

(7) European Commission (2008), Recommendation on the active inclusion of people excluded from the labour market (2008/867/EC).

(8) As set out in the above Recommendation.

Support must offer a way out of unemployment and inactivity and be granted only for as long as needed. Minimum income schemes should ensure that people have enough to live on in dignity whether they are fit or unfit to work. Reference budgets help Member States achieve this by ensuring that minimum income schemes reflect the real cost of living. Reference budgets are based on evaluating the cost of a basket of basic goods and services that a family of a certain size and composition needs to be able to live at a designated level of wellbeing. Assistance should combine monetary support (cash benefits), in-kind support (housing, healthcare) and enabling services (transport, bank accounts, etc.).

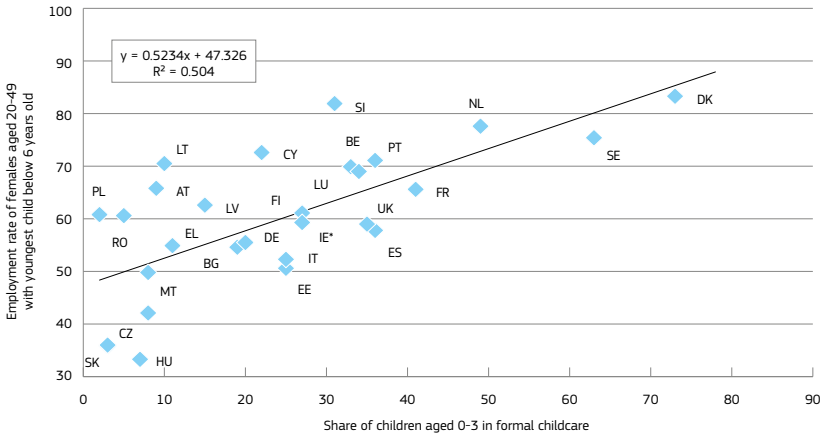
It is very important that measures are tailored to individual needs. This can improve the take-up of benefits by those who are entitled to them. Benefit systems should also make work pay, through targeted in-work fiscal incentives or tapered benefit thresholds. This can ensure that the loss of benefits and the increase in taxes and social contributions when entering work is gradual.

It is also essential to remove obstacles to the labour market that prevent people from achieving economic independence and fulfilling individual aspirations, including by closing the gender pay gap. This also involves labour market regulations to address workplace discrimination. Removing disincentives to work in taxation and benefit systems is also useful, in order to make work pay. This can be done through, for instance, tapering benefit thresholds for means-tested benefits, creating targeted in-work financial incentives, and taxing income individually rather than on a household basis.

Measures to help parents reconcile work and family responsibilities are especially important in promoting the labour market participation of women with children. Affordable, quality early childcare is especially important, as high childcare costs can result in large disincentives for parents to re-enter the labour market once having a child. Meanwhile, available and affordable elderly care services are important to facilitate the longer working lives of the senior workforce. As shown in the graph below there is a strong correlation between the employment rates of women with young children and the proportion who have access to formal childcare.

Better access to childcare leads to more women in employment

Employment rates of women aged 20-49 with young children and proportion of children aged 0-3 in formal childcare (2010)[9].



Source: EU-SILC and Labour Force Survey, DG EMPL calculations.
* IE data is from 2009

Confronting homelessness

Society does not break down neatly into two fixed groups: those with homes and the homeless. Rather, homelessness is a risk that affects many households, to varying degrees, at different stages of their lives. This ranges from living rough at one extreme, to people living temporarily with family or friends, or lacking a legal (sub)tenancy agreement. This spectrum of experience is reflected in the European Typology of Homelessness and Housing Exclusion (ETHOS) agreed between stakeholders and the European Commission. Member States have the primary responsibility and competence for addressing homelessness, and the Commission encourages them to adopt long-term, integrated national, regional and local strategies that focus first and foremost on ensuring that people have adequate and stable accommodation (a 'housing-led' approach). Member States are also called upon to revise their policies to forestall evictions.

Prevention and early intervention, good-quality service delivery and rapid

(9) i.e. children spending at least one hour per week in formal childcare.

re-housing have been identified as effective and often cost-saving ways of combating homelessness. Proper data collection and monitoring are required to evaluate homelessness policies.

Many other EU policies can and do help tackle the complex causes of homelessness. These include social inclusion, regional development, migration, financial regulation, health and human rights policies.

Box 5: Roma inclusion

The Commission proposed in June this year a **Council Recommendation on effective Roma integration measures in the Member States**[1]. The Recommendation aims to speed up progress on Roma inclusion by focusing the attention of the Member States on a number of concrete measures that are crucial for an effective implementation of their national strategies. It therefore reinforces the EU Framework on Roma inclusion with a non-binding legal instrument highlighting a number of crucial success factors, including:

- specific targeted action to strengthen Roma integration in full respect of the principle of subsidiarity and without duplicating existing EU legislation in education, employment, health and housing;
- general principles of securing the transparent and appropriate allocation of funds (not only EU but also national and local funds) to Roma inclusion;
- essential horizontal and structural measures:
  - fighting against discrimination;
  - protecting Roma children and women;
  - adopting a social investment approach;
  - empowering the Roma;
  - translating national commitments into local action, via reinforcing the involvement of local and regional authorities;
  - monitoring the impact of policies;
  - taking into account the work of bodies that promote equal treatment of Roma;
  - reinforcing resources and capacities of the National Roma Contact Points;
  - developing transnational cooperation.

Together with the proposed Recommendation, the Commission published the **annual report**[2] that assesses the progress made by the Member States in setting the necessary preconditions for a successful implementation of the strategies: involving regional and local authorities; working closely with civil society; allocating proportionate financial resources; monitoring and enable policy adjustment; and, fighting against discrimination.

(1) COM(2013) 460 final.

(2) Commission Communication "Steps forward in implementing national Roma integration strategies" COM(2013) 454 final.

Social investment throughout the individual's life

Preventing the transmission of disadvantage from one generation to the next is a crucial investment in Europe's future, as well as a direct contribution to the Europe 2020 strategy. Failure to invest in children's upbringing and education makes it difficult for many to live up to their full human, social and economic potential in later life, which could in turn jeopardise the prosperity of future generations of Europeans and raise social protection costs across the EU.

The need to invest in an individual's skills and capacities and to give them an adequate standard of living arises in their early childhood and applies through to their old age. Proactive and preventative measures during childhood and youth, such as early childhood education and care and measures to prevent early school-leaving, can substantially improve future outcomes. As people live longer and stay healthy longer, and Member States increasingly link retirement age to increases in life expectancy, social investment can be crucial to longer working careers or the start of second careers, as well as greater independence and dignity for the elderly.

Investing in children

A number of principles should guide Member States' policies in this area. First, they should address child poverty and social exclusion on the basis of a children's rights approach. Secondly, they should develop integrated strategies which go beyond ensuring children's material security and promote equal opportunities so that all children can realise their full potential. Thirdly, they must strike a balance between universal policies, which promote the well-being of all children, and targeted approaches, which support the most disadvantaged.

The Social Investment Package includes a Commission Recommendation *Investing in children: breaking the cycle of disadvantage*, which is based on three pillars:

- First, given the strong link between family earnings and children's living conditions, it urges Member States to help ensure **access to adequate resources** by supporting parents' participation in the labour market. It is also important to make sure that work 'pays', by identifying and removing disincentives in the tax and benefits systems. A combination of cash and in-kind benefits may be needed to provide children with adequate living standards, compatible with a life of dignity;
- Secondly, ensuring **access to affordable, quality services** such as early childhood education and care (ECEC), education, health, housing, alternative care and parenting services is essential to ensure that all children can achieve their full potential. Developing ECEC is particularly effective as a social investment to address inequality and challenges faced by children from disadvantaged backgrounds (especially those under the age of three). Children

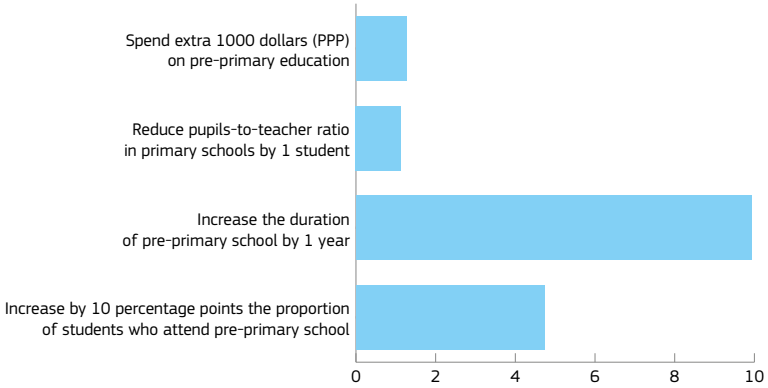
must not be stigmatised and segregated, but rather encouraged to participate, regardless of whether or not their parents are employed. Disparities in the availability and quality of services should be addressed. Quality services require stronger links between different institutions and between users and providers, such as schools and parents, as well as the provision of personalised services to tackle specific challenges, for instance through support for parents of migrant background and ethnic minority children;

- Lastly, all children should be **encouraged to participate** in play, recreation, sport and cultural activities, as well as informal learning activities. This means addressing barriers such as cost, access and cultural differences to allow all children to take part in activities outside the home and school. Member States should also put in place mechanisms that further children's participation in decision-making that affects their lives, such as ensuring effective access to court and judicial proceedings.

As discussed previously in this chapter, accessible childcare is very important in enabling parents, and especially mothers, to enter employment. In addition, good-quality early-childhood education and care (ECEC), health and other services are essential to children's well-being and to helping them develop the social, cognitive and emotional skills they need. Recent research has made this clearer and is well summarised by the OECD.[10] Preventing early school-leaving and offering opportunities to obtain higher qualifications improves young people's chances in the labour market and of realising their full potential later in life.

(10) *Investing in high-quality early childhood education and care (ECEC)*, OECD, 2012, http://www.oecd.org/edu/school/48980282.pdf.

Impact of different pre-primary policies on PISA score (points), 2009



Source: OECD (2012).

Box 6: Investing in children – *La Mallette des Parents* (France)

La Mallette des Parents [the parents' satchel] is a project that **involves parents more in their children's education.** Started in 2008, the programme targets teenagers and their parents in under-privileged areas. Run by the *Académie de Creteil*, which is under the authority of the Education Ministry, the programme was set up to improve relations between parents and teachers and to help parents understand more about how their children are taught so that they can contribute to their success at school.

Collective meetings are followed by one to three individual meetings, depending on the child's needs, where parents discuss their child's education with the director of the school. An evaluation of the programme showed that participating parents were more likely to make individual appointments with teachers, join parents' organisations and be involved in their children's education at home.

Improving opportunities for youth

In December 2012, the Commission adopted a Youth Employment Package to address the particularly severe impact of the economic crisis on young people (see Chapter 1) and the very high number of those not in education, employment or training (NEETs[11]).

The Package proposes schemes ensuring that every young person receives a

(11) Box 2: 'What are NEETs?', above.

good-quality offer of employment, continued education and training, an apprenticeship or a traineeship within four months of becoming unemployed or leaving formal education. This 'Youth Guarantee' improves employment security for the young by smoothing the school-to-work transition. A Youth Guarantee Recommendation was adopted by the Council of Ministers on 22 April 2013 and the Commission is urging Member States to make it a reality as soon as possible.(12)

The Social Investment Package complements and works alongside the Youth Employment Package to ensure that social benefits and services for young people are available when they are needed. The Youth Employment Package also calls on Member States to implement the Recommendation on Policies to Reduce Early School-Leaving and develop evidence-based and comprehensive policies against early school-leaving which encompass prevention and intervention measures, as well as compensatory measures offering 'second chance' learning opportunities. These include additional classes in school and possibilities for young adults to re-enter education and training.

Box 7: The E18HTEEN project (UK)

The **United Kingdom's E18HTEEN** project uses sport to engage young people aged 16–19 who are or have been in care. It offers them an individually tailored learning and development programme designed to facilitate their transition into training, education and employment and ultimately prepare them for independence and adulthood. Each young person is presented with opportunities to participate and volunteer in the sport of their choice, which then becomes part of an individual learning and development plan. In addition, they are encouraged to participate as volunteers in 18 hours of community-based projects and to take part in workshops on life-skills such as money management and conflict resolution.

Active ageing

Active ageing involves people continuing to participate in the formal labour market, engage in other productive activities (such as care provision to family members and volunteering) and live healthy, independent and secure lives as they age. Thanks to medical and technical advances, this is increasingly possible. There is also an increasing desire for it as older people enjoy more years in better health, and an increasing economic and social need for it, as they represent a growing proportion of the population.

(12) COUNCIL RECOMMENDATION of 22 April 2013 on establishing a Youth Guarantee, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:120:0001:0006:EN:PDF

The European Year for Active Ageing and Solidarity between Generations in 2012 sought to secure greater recognition of what older people bring to society and create more supportive conditions for them. The Year created the political momentum for EU work, which is still ongoing, to promote active ageing in three areas:

- **Employment** – as life expectancy increases across Europe, pension ages are rising, but many fear that they will not be able to stay in their current jobs or find another job until they can retire on a decent pension.
- **Participation in society** – retiring does not mean becoming idle. The contribution of older people to society as carers for others, typically their own parents or spouses and their grandchildren is too often overlooked, as is their role as volunteers.
- **Independent living** – our health declines as we grow old, however a lot can be done to cope with this decline and quite small changes in their environment can make a big difference to people suffering from various health impairments and disabilities so that they can remain in charge of their own lives as long as possible.

Member States are encouraged to step up their active ageing strategies by promoting adapted workspaces and flexible working-time arrangements to help accommodate older people in the workforce. Retraining and lifelong learning opportunities can also help older people to develop their skills and capabilities and apply them to work or when volunteering. Accessible health and care services, innovative programmes to support independent living, and information and communications technologies (ICTs) can also help older people stay healthy and independent for as long as possible.

Investing in healthcare and long-term care

Health is both a value in itself and a precondition for economic prosperity. People's health influences economic outcomes in terms of productivity, labour supply, human capital and public spending.

In spite of the near-universal coverage of health insurance or national health systems, health inequalities remain across countries and regions, and across socio-economic groups. Health outcomes vary considerably within and between Member States. In 2011, the gap in life expectancy at birth between the highest and lowest values for EU Member States was 11.8 years for males and 7.6 years for females. Even larger health inequalities exist for some migrants and ethnic minorities. Reducing health inequalities contributes to social cohesion and breaks the vicious spiral of poor health contributing to, and resulting from, poverty and exclusion.

Investing in sustainable health systems can reconcile fiscal consolidation targets with the provision of sufficient levels of public service. It also helps improve human capital, making active employment policies

more effective and helping to secure adequate livelihoods.

The problems caused by the economic crisis aggravate the challenges posed to Member States in terms of fiscal sustainability and lead, governments to cut healthcare budgets. However, sudden significant reductions may create new inefficiencies, undermining access to and the quality of care, damaging health outcomes and ultimately jeopardising the sustainability of the health system even more by increasing costs. A careful assessment of these measures should shed light on what policies are effective in the short and long terms.

International comparisons show that the same amount of *per capita* healthcare expenditure can be associated with very different health outcomes, even after taking into account differences in lifestyle and socio-economic situation. It is not only how much money is spent, but also how it is spent, that determines a country's health status. Present budget constraints should therefore be used as an opportunity to improve the value and effectiveness of healthcare spending.

The Health Staff Working Document points out that cost-effective and efficient health spending is a productive or growth-friendly type of expenditure, increasing participation in the job market, reducing absenteeism and cutting premature retirement or mortality. Improving the population's health status leads to positive economic outcomes. An OECD study estimates that

© Imageglobe

for every year of increase in a population's life expectancy GDP could go up as much as 4 %.

EU countries see the future challenge for long-term care as one of 'closing the gap' between growing care needs and stagnant or shrinking resources. The key is finding policy mixes that enable Member States to close that gap. Important components could involve:

- raising the productivity of care delivery;
- reducing the incidence and overall prevalence of frailty and disability;
- reducing dependency, i.e. enabling older people to continue to manage independent living with functional limitations.

Box 8: The Feelgood Factory Agenda (United Kingdom)

The Feelgood Factory Agenda, developed in the UK under the European Innovation Partnership on Active and Healthy Ageing, helps people to monitor their health and receive advice through the television and provides access to 'life-enhancing technologies' – devices mainly for the elderly, that e.g. alert a contact person if somebody has had a fall at home, or that remind a resident if they have left the bath running. Results already show that patients who were in and out of hospital every week were now only going once or twice a year. The lead partner of the programme is Liverpool Primary Care Trust. Much of the focus is on people who are older and have long-term conditions (143 000 in Liverpool). 150 'community health champions' have been recruited to design bespoke packages for such people, including lifestyle and self-management advice, and equipment. The voluntary champion roles may attract people to work for the emergency care sector or up-skill unemployed people. Liverpool PCT will target 50 000 members, 3 500 users of telehealth, 5 000 users of stand-alone 'life-enhancing technologies' (LETs), 3 500 users of LETs integrated with social services. Financial and human resources available for these actions include a € 21 million programme, comprising € 15.6 million in direct financial contributions and € 6 million 'in kind' in the form of human resources, expertise, equipment and the use of existing services and infrastructure.

Moving social investment forward: the need to develop new ideas and new ways of delivering social policies

In addition to defining the specific **areas in which** reform is required, as examined above in terms of the three priority areas of the Social Investment Package, it is also important to pay attention to **how** reform can be most effective. Social innovation and the social economy both have a vital role to play, as they lie at the heart of efforts to modernise and improve the making and delivery of social policy.

Given the scale of the problems facing the EU, the need for innovation is obvious. If old approaches are failing to meet the challenges of the crisis, something new is needed.

By definition, introducing new ways of organising and implementing social policy involves innovation, but innovation is a complex process which should not be taken for granted. It involves actors finding new approaches to solving problems and then persuading a sufficient constituency for these to spread beyond the institution where they were first tried; and it involves policy-makers recognising the importance and potential of these innovations – whether originating in their own country or abroad – and instituting them as systematic policy. It is easy to see that none of these steps is automatic and that a policy in favour of effective social innovation is vital to ensuring that the response does not lag excessively behind the rapid changes in society and the economy. Social policy experimentation, providing rigorous data on which approaches work and which do not, is essential to this.

The social economy can, and does, contribute greatly to the achievement of economic and social goals. Because it involves a form of productive organisation which by nature works in a market economy and gives full expression to the cooperative and collective aspirations of the members of each of its institutions (firms, cooperatives, social enterprises), delivering on competitiveness and social goals are both part of its 'DNA'.

Social innovation and social policy experimentation

Social innovations have been defined by the European Commission as 'innovations that are social in both their ends and their means… new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations. They are innovations that are not only good for society but also enhance society's capacity to act.'(13)

Social innovations help to address societal needs in cost-effective ways. It is based on the proven performance of newly implemented measures and involves new ways of organising, financing and providing social outcomes, and reforming systems.

(13) European Commission (2011) 'Empowering people, driving change: Social innovation in the European Union'

Social policy experimentation is a tool to test the impact of a new policy or a new measure on a small scale with a view to upscaling if it proves effective. Because of uncertainty as to their impact, Social policy experimentations are carried out on a small scale in conditions in which this can be measured before they are implemented more widely. Social policy experimentation can play an important role in supporting the development of efficient and cost-effective policies, helping, in the process, to build a degree of consensus on what works and what does not.

New policy approaches to investment, prevention, empowerment and activation are becoming particularly relevant and need to be examined thoroughly. They rely on the inventiveness of citizens, civil society organisations, public authorities and businesses and are also opportunities for the markets, as the products and services better satisfy individual and collective needs. The quest for new ways of financing social innovation and social policy experimentation to support the modernisation of social protection policies is also key parts of a social investment approach. The Commission encourages Member States to develop strategies for social innovation and social policy experimentation, such as public-private-third sector partnerships, and to ensure adequate and predictable financial support, including new sources of additional private financing for social investment.

The social economy and social enterprises

The '**social economy'** designates a sector which is different both from the traditional public sector 'serving the general interest'

and from the private profit-driven market. It consists of private organisations that typically pursue goals other than profit, such as associations, cooperatives, mutual organisations, foundations and social enterprises. The main purpose of such organisations is not to generate financial gains for their owners or stakeholders but to provide goods and services either to their members or to the community at large. In recent years, the **social enterprise** has emerged as a very significant new form of organisation, the main objective of which is to have a social impact rather than make a profit for their owners or shareholders.(14) It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities(15).

Europe has a strong social economy and social enterprises sector comprising at least two million enterprises with over 11 million employees, or 6 % of the workforce. Two specific strengths of the social economy and social enterprises show why they are well placed to play a key role in supporting the promotion and piloting of social investment.

First, they are a tool for **social inclusion**. Social enterprises often employ people with a disability and/or subject to discrimination, or provide social services and/or goods and services to them. They complement and provide leverage to public sector efforts to implement social policies, improve labour market integration and social inclusion, and enhance skills.

Also, the social economy and social enterprises are sources of **social innovation.**(16) Social enterprises are often involved in civil society initiatives aimed at social change and innovation. Since by their very nature social enterprises bring together innovative individuals and organisations keen to address social issues, they are well placed to generate social impact and foster innovations that deliver better social outcomes. The Commission therefore encourages Member States to create an enabling regulatory environment to allow social enterprises and social economy to operate, as well as facilitate their access to financing, support networks and infrastructure. The Commission also provides financial and capacity-building support to the social economy and social enterprises, discussed in Chapter 3.

(14) See European Commission (2011), *Social Business Initiative*, COM(2011) 682, http://ec.europa.eu/internal_market/social_business/docs/COM2011_682_en.pdf

(15) For more detailed descriptions of the social economy and social enterprises, refer to See European Commission (2013) Social Europe Guide Volume 4 Social Economy and Social Entrepreneurship; http://ec.europa.eu/social/BlobServlet?docId=10027&langId=en

(16) See *Empowering people, driving change: Social innovation in the European Union*, BEPA, May 2010, available at: http://ec.europa.eu/bepa/publications/special-issues/index_fr.htm.

CHAPTER 3

Governance Framework and Instruments

The past two chapters have outlined the major social challenges that exist and the potential of modernised social policies to improve the situation. This chapter examines how the EU is mobilising a full range of instruments to promote and contribute to this modernisation at Member State level, as well as working towards a coordinated approach across the EU.

The Member States have the primary responsibility for implementing social policy reforms, as they design and administer social policy systems. Sub-national (regional and local) bodies also play a crucial role, especially in the delivery of benefits and services. Some Member States have already taken steps to re-structure their social protection systems along social investment lines in advance of the crisis; these are the very Member States that have weathered the crisis better, in both economic and social terms.[17]

In this light, what is the role of the EU? In fact Europe has a vital role to play in support of the requisite reforms, for two reasons.

First, we are not mistaken in talking of European social models. Though there are substantial variations, countries share important common features, values and objectives. They have not developed in isolation, but through a continuous process of cross-fertilisation and mutual influence. At a time when rapid change is needed, the EU can and should support these exchanges in a variety of ways, including by:

- Identifying mutual concerns and objectives, and setting joint targets where appropriate;
- Promoting exchanges of experience and expertise between policy-makers, local authorities, unions, employers' organisations and other stakeholders, including NGOs, social businesses and the private sector;
- Providing guidance to the Member States on the key areas in which reform is needed if the agreed Europe 2020 targets are to be achieved, including poverty and employment;
- Monitoring, analysing and reporting on social trends;
- Developing EU-level expertise and knowledge on policy responses to worrying trends;
- Providing financial support for the trialling and implementation of social policy reforms.

Secondly, although Member States have overall responsibility for social and employment policy, Article 3 of the Treaty

(17) See European Commission Staff Working Document – *Evidence on Demography and Social Trends – Social Policies' Contribution to Inclusion, Employment and the Economy* SWD(2013)38.

on European Union states that 'the Union [...] shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child. It shall promote economic, social and territorial cohesion, and solidarity among Member States'. Article 9 of the Treaty on the Functioning of the European Union also highlights that '[...] the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fights against social exclusion, and a high level of education, training and protection of human health'. This is why the EU's overall growth strategy, the 'Europe 2020' strategy, includes social policy targets.

The toolkit of available instruments

Europe 2020

Europe 2020 is the European Union's ten-year strategy for smart, sustainable and inclusive growth. It sets out five ambitious targets to improve Europe's performance.

Box 9: EU targets agreed for 2020

POVERTY
At least 20 million fewer people in poverty or at risk of poverty and social exclusion

EMPLOYMENT
75% of the population aged 20-64 should be employed

INNOVATION
3% of the EU's GDP should be invested in R&D

CLIMATE / ENERGY
A reduction of greenhouse gas emissions by 20%
20% of our energy to come from renewable sources
A 20% increase in energy efficiency

EDUCATION
Early school-leavers should account for less than 10% of the school population
At least 40% of the younger generation should have a degree or diploma

The poverty, employment and education targets directly concern social and employment policy. The Europe 2020 targets thus correspond to a great extent to the social policy objectives discussed in Chapter 2. Delivering on them depends heavily on the new governance structures and processes that the EU has been putting in place since 2010.

A key instrument in this context is the European Semester, an annual process which starts when the European Commission adopts its Annual Growth Survey (AGS) towards the end of the year. The AGS sets out the EU's priorities for the following year to boost growth, foster job creation and address the social challenges facing the Member States. National targets and policies designed to enhance growth are coordinated under the European Semester, since all Member States have committed themselves to achieving the Europe 2020 targets for smart, sustainable and inclusive growth. The Europe 2020 poverty target is one of the key targets taken into account by the Commission in each year's Annual Growth Survey, thus ensuring that the Survey includes a focus on social issues.

The Commission assesses each Member State's plans for policy measures to achieve the 2020 targets (National Reform Programmes) and sound public finances (Stability or Convergence Programmes). It then proposes policy guidance, or

'country-specific recommendations' (CSRs), based on EU priorities, national budget and reform plans, and the particular circumstances of each Member State.

In proposing CSRs that focus on improving employment and tackling poverty and social exclusion, the Commission is acting on its responsibility to monitor Member States' efforts to meet the Europe 2020 targets. Also, under new Regulations for the European Structural and Investment Funds, the CSRs must be reflected in Member States' Partnership Agreements and Operational Programmes. In 2013, the Commission adopted recommendations for all EU Member States except for Cyprus, Greece, Ireland and Portugal, as these have comprehensive Economic Adjustment Programmes.

Following exchanges in the relevant Committees and Council groups, the June European Council endorses the package of CSRs proposed by the Commission and adopts them in early July.

Seven flagship initiatives

The Europe 2020 process did not only set targets, but also launched a set of seven flagship initiatives through which the EU and national authorities combine their efforts in areas supporting the Europe 2020 priorities: The **European Platform against Poverty and Social Exclusion** (see Box) is the flagship designed to help achieve the EU target of reducing poverty and social exclusion by at least 20 million by 2020. It is based on five areas for action:

- **Delivering action across the whole policy spectrum,** including the labour market, minimum income support, healthcare, education, housing and access to basic banking accounts;
- **Better use of EU funds to support social inclusion**. The Commission has proposed that 20 % of the European Social Fund be earmarked for fighting poverty and social exclusion;
- **Promoting** robust evidence of what does and does not work in **social policy innovations** before implementing them more widely;
- **Working in partnership with civil society** to support more effectively the implementation of social policy reforms. The involvement of people experiencing poverty is now acknowledged as a catalyst for inclusion strategies;
- **Enhanced policy coordination among EU countries** as established through the use of the social OMC and further developed through the social protection committee.

Box 10: Europe 2020 flagship initiatives

- The **Digital Agenda** is the EU's strategy to help digital technologies, including the internet, to deliver sustainable economic growth.
- The **Innovation Union** aims to improve conditions and access to finance for research and innovation in Europe, so that innovative ideas can be turned into products and services that create growth and jobs.
- **Youth on the Move** provides support for more than 400 000 young people each year to work, train and study abroad.
- **Resource efficient Europe** supports a shift towards a more resource-efficient, low-carbon economy to achieve sustainable growth.
- An **Industrial Policy for the Globalisation Era** sets out a strategy that aims to boost growth and jobs by maintaining and supporting a strong, diversified and competitive industrial base in Europe offering well-paid jobs while becoming more resource efficient.
- The **Agenda for New Skills and Jobs** is how the Commission will help the EU reach its employment target: 75 % of the working-age population (20–64 years) in work by 2020.
- The **European Platform against Poverty and Social Exclusion** is designed to help achieve the EU target of lifting at least 20 million people out of poverty and social exclusion by 2020.

The Annual Convention of the Platform, the most visible event in this field, has a dual purpose. It seeks to give visibility and political weight to social investment in Europe and the European Platform and sets out to build a supportive and active constituency around it, cutting across various policies and institutions, different levels of government and civil society actors.

Every year, the Convention brings together delegations from EU Member State and candidate country administrations, the European institutions, regional and local authorities, non-governmental organisations, representatives of people experiencing poverty, academics and various parties involved in the fight against poverty and social exclusion. The Convention reviews the progress made towards the poverty target agreed by the EU Heads of State in June 2010.

Alongside the Platform against Poverty and Social Exclusion, the social objectives of Europe 2020 are also supported by the Youth on the Move and the Agenda for New Skills and Jobs flagship initiatives, which contribute

to achieving the education and employment targets. There are also important links with other flagship initiatives, such as the Digital Agenda for Europe, and social innovation figures prominently in the Innovation Union initiative, which aims to improve conditions and access to finance for research and innovation in Europe, to ensure that innovative ideas can be turned into products and services that create growth and jobs.

Under the European Innovation Partnerships, a Partnership on active and healthy ageing aims to give everyone in Europe an extra two years, on average, of healthy life.

The social Open Method of Coordination

The EU also supports policy coordination through the **social Open Method of Coordination (OMC)**, a forum established in 2000 to bring together Member States and the Commission for work to develop, implement and evaluate Member States' social policies and to foster cooperation and coordination. Since it concerns a policy area where Member States have the primary competence, it relies on 'soft law' mechanisms such as common objectives and indicators, and peer reviews. It thus supplements the 'hard law' legislative and financial instruments of social policy, and feeds into policy discussions in the European Council. Since 2005 it has focused on poverty and social exclusion, pension systems, healthcare and long-term care.

The **Social Protection Committee** (SPC) is the main forum of the social OMC and brings together the Member States and the Commission to monitor the social situation of the EU and Member States'

social protection policies and to promote cooperative exchange and coordination of policy approaches. It reports on and informs discussions on social inclusion, healthcare, long-term care and pensions under the social OMC. It prepares Council discussions on the social situation and social protection policies in the EU, and in particular the Council's position on the draft country-specific recommendations in the area of social policies. First established in 2000, it is incorporated in the Treaty on the functioning of the European Union (Article 160) as an advisory policy committee.

Each year the OMC process organises country and thematic surveillance on social policy reforms across Member States, leading to national social reports prepared by Member States every two years. On this basis, the **Social Protection Committee (SPC)** prepares an annual report on the social situation in the EU which is submitted to the Council.

The Member States thus learn from each other by sharing information and comparing initiatives, identifying best practice and coordinating their national policies. The SPC's Indicators Subgroup does on-going work to improve the commonly-agreed indicators used to measure progress. It relies on peer pressure, since the Member States are evaluated by each other, but there are also agreed milestones with time-limits for progress at national level. The OMC supports implementation of the European Semester as it allows the SPC and the Commission to identify which social protection and social inclusion challenges should be addressed by the Council with policy advice, i.e. CSRs.

The SPC organises **Peer Reviews** of Member States' social policies to support mutual learning. In a Peer Review, a host country presents an example of 'good practice' in the form of a new programme, a policy reform or an institutional arrangement to other Member States, experts from the European Commission and stakeholder groups. The aim is to evaluate whether the policy is effective in a national context, establish how it contributes to EU objectives, and determine whether a similar approach could be taken in other Member States. The process can uncover flaws or elicit suggestions for improvement on the basis of good practice in other countries. The host country can also use the Peer Review meetings to gather expert advice to inform preparation of a major policy reform in the field of social protection and social inclusion.

To help identify the main 'social trends to watch', the SPC created the **Social Protection Performance Monitor (SPPM)** in 2012. It is based on annual monitoring of an agreed dashboard of main social indicators for changes in the previous year and as compared with 2008 (the base year for monitoring progress on Europe 2020). It was used for the first time for the SPC's 2012 annual report (published in February 2013).[18]

(18) *Social Europe: Current challenges and the way forward*, Annual Report of the Social Protection Committee (2012), February 2013, http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7405. See also *Social protection performance monitor (SPPM) – methodological report by the Indicators Sub-group of the Social Protection Committee*, October 2012, http://ec.europa.eu/social/BlobServlet?docId=9235&langId=en

In-depth Reviews look at the key 'social trends to watch' identified by the SPPM and support countries with challenging situations in examining the reforms and practices in several countries with good outcomes. The purpose is to identify the key ingredients that lead to good performance and positive trends, distinguishing between exogenous (e.g. macro-economic conditions, demography) and endogenous factors (e.g. policy design, expenditure levels, etc.). The 2013 exercise addresses three areas:

- Child poverty and social exclusion (Presenting countries CY, LU, AT, FI; Examining countries BG, LV, HU, IE, ES);
- Working poor (presenting countries BE, AT, FI, CZ; examining countries GR, LV, HU, IE, ES);
- At risk of-poverty rate for people living in jobless households (presenting countries DK, FR, NL; examining countries BG, EL, SK, SE, LV).

EU Funds

In parallel with EU policy coordination through the European Semester and the Open Method of Coordination, Member States receive support from various EU funds, in particular the European Structural and Investment Funds and the Programme for Employment and Social Innovation (EaSI).

These EU funds provide an important means of moving beyond policy discussions to action on the ground. While the great bulk of funding for social policies comes from national budgets, the EU funds can play an important catalytic and complementary role, introducing new practices and supporting reform.

The **European Social Fund (ESF)** is the EU's main budgetary instrument for supporting structural reform and investment

across EU Member States in the area of employment and social policy. Over the 2007–13 programming period, it reached over 50 million participants, including over 4.5 million unemployed and 5 million inactive people in 2011 alone. It did so by providing € 75 billion over this period to help people fulfil their potential by giving them better skills and better job prospects. ESF programmes have helped to cushion the negative impact of the crisis, to preserve jobs and to prepare for an upswing. Within this € 75 billion, approximately € 12 billion is allocated to social inclusion measures from the ESF, principally supporting education, health and social infrastructure investments. Furthermore, the total budget devoted to priority axes with a social inclusion component in ESF Operational Programmes is around € 32.5 billion.

ESF support for social innovation in different Member States is also significant, generally varying between 1 % and 5 % of the ESF total. The main ESF funding for social innovation in 2007-13 has been estimated as:

- More than € 2 billion in institutional capacity-building, most of which contributes to developing and strengthening innovative capability in the public sector;
- More than € 1 billion for innovative activities (e.g. new forms of work organisation and better use of employees' skills, including in an ageing workforce; new skills for climate change; and new ways of combating unemployment).

In addition to the ESF, the **PROGRESS** programme has also contributed to the development of social policy, with around € 10 million allocated to social policy experimentation between 2008 and 2012 (36 projects). In 2014, a new **Employment and Social Innovation (EaSI**) Programme is planned to replace PROGRESS, the European Employment Services (EURES) and the European Progress Microfinance Facility, and extend their coverage. With its proposed budget of € 815 million, the EaSI Programme is planned to support policy coordination, the sharing of best practices, capacity-building and the testing of innovative policies with a positive social impact.

The European Regional Development Fund (ERDF) contributes to areas which support social policy, such as better infrastructure and direct investment in the creation of sustainable jobs. The Commission has announced a new **Fund for European Aid to the Most Deprived (FEAD)**, with a budget of €3.5 billion, to support Member States' schemes providing homeless people or children suffering from material deprivation with food and basic goods such as clothing or shoes.

HORIZON 2020, a new Framework Programme for Research and Innovation also operational for the period 2014–20, sets out to address seven challenges facing EU society. Social innovation and experimentation are part of the working programmes to address the sixth challenge, 'Inclusive, innovative and reflective societies'.

Implementing the Social Investment Package

Given its governance framework and the instruments available to support social policy reform, the EU is well placed to support Member States' implementation of the Social Investment Package.

Box 11: 2013 social and employment CSRs

In 2013, the 12 Member States with the most serious youth unemployment problems received recommendations aimed at ensuring that every young person is offered a job, further education or work-focused training within four months of leaving education or becoming unemployed.

19 Member States received recommendations aimed at facilitating school-to-work transitions, such as special incentives for companies to hire young people, increasing the availability of apprenticeships and reducing school drop-out rates.

Eight Member States were asked to strengthen social safety nets in order to tackle poverty by improving the level and coverage of social benefits.

Ten Member States were asked to take measures to improve the integration of migrants and their Roma populations.

18 Member States were asked to improve support to those outside the labour market with active labour market policies, including personalised job-search assistance and training and apprenticeships adapted to the needs of those concerned.

11 Member States received CSRs to improve women's employment; these included: reducing barriers to women's labour market participation; improving services for children; addressing the gender pay gap; removing financial disincentives for parents to work; and increasing the provision of quality, inclusive childcare facilities.

15 Member States received CSRs in the area of healthcare and long-term care, on such points as strengthening primary care provision, reforming the hospital sector, controlling pharmaceutical spending, and improving disadvantaged people's access to healthcare services. In the area of long-term care, Member States were called upon to shift the focus from institutional to home care.

In the light of population ageing, the Commission highlights for 16 Member States the need to ensure a cost-effective and efficient use of public resources in order to provide equal access to sustainable and high-quality healthcare and long-term care.

Mobilising governance instruments

The Commission's guidance on social investment feeds into the European Semester exercise by inviting Member States to prioritise social investment in the implementation of relevant country-specific recommendations and include it in reporting on the National Reform Programmes. Member States are also invited to develop concrete strategies for social innovation, such as public/private/third-sector partnerships, ensure adequate and predictable financial support for social innovation, including microfinance, and provide for training, networking and mentoring to support evidence-based social policies. The 2013 CSRs already support a social investment approach (see below) and this is expected to be reinforced in future years.

Box 12: Example of 2013 CSR for the Czech Republic

The Czech Republic received seven CSRs, including one on employment and childcare:

'Take additional efforts to strengthen the efficiency and effectiveness of the public employment service. Increase significantly the availability of inclusive childcare facilities with a focus on children up to three years old, and the participation of Roma children, notably by adopting and implementing the law on provision of childcare services and strengthening the capacities of both public and private childcare services.'

The social Open Method of Coordination (OMC)'s 2013 work programme is aligned with the social investment agenda. It includes work that has started to assess the financing, efficiency and effectiveness of social protection systems, based on the analysis and sharing of best practice in the OMC.

The European Platform against Poverty and Social Exclusion is a key partner in the implementation of the social investment approach to poverty and social exclusion. Its Annual Convention focuses on reducing poverty and social exclusion by building a Europe of solidarity and implementing reforms needed in the Member States to confront the increasing social challenges that Europe is facing. The Convention's programme includes stocktaking and exchange of practices in order to develop concrete partnerships and action to implement social investment and set the stage for national and regional social policy reforms. The Commission is also working to involve local and regional stakeholders and authorities more effectively in the Convention.

Support through the funds

EU funds support Member States in addressing social investment priorities. All the various funds are mobilised as appropriate, but the **European Social Fund (ESF)** is the EU's main financial

instrument and catalyst in this respect. The ESF has already provided substantial and varied support for reforms and provision with a social investment approach. For example, it has been used to support social innovation in migration policy in Portugal, help the long-term unemployed back to work in Hungary and stimulate social enterprises' provision of childcare in Italy. In the 2014-20 period, the ESF includes focused support for social investment, e.g. by helping Member States implement 'social' CSRs where needed. Operational guidance by the Commission helps inform Member States how best to use the ESF to support social investment in all four of the Fund's investment priority areas: promoting employment, investing in education, combating poverty and enhancing institutional capacity. An increased emphasis of social investment in future CSRs and the recent publication of an integrated operational guidance on social investment for the ESF help ensure that an increasing amount of ESF funding is reflecting social investment approach of the examples given below.

Box 13: Using the ESF to promote active inclusion policies in Belgium to reach those furthest away from the labour market[1]

The ESF has been used to complement mainstream active labour market policies with a focus on people facing the most severe challenges (such as young people, single parents and immigrants). With the use of the ESF, people who are furthest from the labour market receive more intensive guidance and mentoring, for example.

The 2007-2013 ESF programme for Belgium focuses on three axes, two of which are of specific interest in the light of the active inclusion approach:

- the promotion of social and occupational activation paths;
- career planning and encouragement of diversity at work.

The emphasis of the first is on specific interventions tailored to the needs of vulnerable people within the Public Centres for Social Welfare for whom mainstream activation measures appear to be less effective, such as young people between 18 and 25, single parents, people of foreign origin and people over 45. The second group of interventions mainly focuses on structural actions addressing diversity at work and tackling discriminatory practices. This includes projects such as awareness campaigns on keeping the elderly employed and the 'experts by experience' project.

(1) Wouter Schepers & Ides Nicaise, Assessment of the Implementation of the EC's Recommendation on Active Inclusion - Belgium.2013, http://ec.europa.eu/social/BlobServlet?docId=9935&langId=en

Box 14: Using the ESF to support the simplification of benefits and services – one-stop-shops in immigration policy in Portugal[1]

Following changes in immigration patterns in the 1990s, the Portuguese administration experienced great difficulties in communicating with the immigrant population and understanding their needs; at the same time, large populations of immigrants had to cope with the challenge of social integration in an unknown linguistic, cultural and bureaucratic setting. This major shift triggered the Portuguese one-stop-shop approach, which had been tested at local level in the offices of the High Commission for Immigration and Intercultural Dialogue (ACIDI)[2]. On the basis of the ACIDI experience, National Immigrant Support Centres (CNAI)[3] were opened to the public in 2004 to respond to a number of challenges identified by the immigrant clients, including the range of institutions involved in the integration process, the lack of cooperation between, and dispersed locations of, government services, the diversity of procedures, complex bureaucracy, communication difficulties due to cultural and linguistic diversity, and the need to promote immigrant participation in decision-making. The CNAI Centres provide various immigration-related services functioning in cooperation in one space with an identical working philosophy. Also, to ensure that immigration procedures and social inclusion go hand in hand, the Centres provide a number of government and support services under one roof, involving various governmental and non-governmental organisations. Intercultural mediators, recruited from immigrant backgrounds and trained, play a fundamental role in the service provision. The CNAIs' objective has been to provide an integrated response to the problems experienced by immigrants and to bring the public administration closer by rapid and flexible responses to their needs. The mediators' cultural and linguistic proximity to the service-users facilitates this interaction. The National Immigrant Support Centres are a good example of an approach that has been tested and up-scaled following evaluation of the policy impact.

(1) An award winning project in the 2011 European Public Sector Award competition, organised by the European Institute of Public Administration (http://www.epsa2011.eu/en/content/show/&tid=161).

(2) Alto Comissariado para a Imigração e Diálogo Intercultural (ACIDI): http://www.acidi.gov.pt

(3) An evaluation of the centres is accessible at http://www.oss.inti.acidi.gov.pt/index.php?option=com_docman&task=cat_view&gid=73&Itemid=61&lang=en

The ESF also is making significant investments in the **social economy**. A specific new investment priority on 'promoting the social economy and social enterprises' recognises their importance in the Regulation governing the ESF for 2014-20 This lays the ground for Member States to include activities in this area in their operational programmes for 2014-20. At the same time, social enterprises will take part in ESF co-funded action across the various policy areas, thus complementing public-sector implementation capacity. For example, third-sector undertakings are well-placed to provide tailor-made services to help people return to the labour market, or early childhood education and care services for children from minority or migrant backgrounds.

The ESF Regulation reflects the increased recognition of the importance of social innovation in all the areas it supports, 'in particular with the aim of testing and scaling up innovative solutions to address social needs.' It backs this up with new provisions to support social innovation, e.g. an incentive for Member States to prioritise programmes dedicated to social innovation in the form of a higher co-funding rate. The Commission is supporting capacity building for social innovation in the form of mutual learning, the establishing of networks and the dissemination of good practices and methodologies.

Apart from the ESF, a range of European Commission programmes, policies and initiatives involve a social innovation element: the European Regional Development Fund (ERDF), the Framework Programmes for Research and Development European (FP RTD), the Investment Bank Group (EIB) through joint EIB and European Commission initiatives (ERDF) such as the four 'J's (JASPERS, JEREMIE, JESSICA, JASMINE), business support through the ERDF, the European Investment Fund (EIF) to promote social enterprise, the Competitiveness and Innovation Programme (CIP) and the PROGRESS Programme.

The PROGRESS Programme, in particular, complements the ESF's contribution. Several of the initiatives and social policy experimentations supported through PROGRESS are becoming relevant for shaping public services. For instance,

- 'HOPE in Stations' (**HO**meless **P**eople in **E**uropean train stations) helped strengthen cooperation between local authorities, social organisations which support homeless people and railway companies on services to homeless persons in and around major train stations in three European capitals;
- 'Models of mentoring for inclusion and employment (UK), which promotes a peer mentoring model to support target groups in transition from a 'closed' community (e.g. prison, addiction treatment centres, military service, mental health and rehabilitation services) to the open labour market;
- 'Housing First Europe' (DK) promotes a shift from using shelters and transitional accommodation as the predominant solution to homelessness towards increased access to permanent housing.

Box 15: HOPE in stations – integrating social services for homeless persons

The HOPE in Stations project[1] funded by the European Commission under the PROGRESS Programme has helped integrate social services delivered to homeless persons in and around main train stations. While the homeless in train stations throughout Europe are the focus of social policies and local management strategies, the problem of their exclusion from society is multi-faceted (housing, employment, social security, healthcare, etc.) and remains unresolved.

HOPE in Stations brought together local authorities, social organisations supporting homeless people and railway companies to develop an integrated approach and provide two kinds of support:

- establishing a 'reference authority': a professional person or organisation responsible for liaison between the railway station and social service organisations;
- providing railway employees (primarily customer services, security and cleaning) with information on homeless persons, the support network and the company's policy, and introducing them to new ways of approaching and supporting the homeless.

The project was implemented in stations in three European capitals: Paris Nord and Est, Brussels Central and Roma Termini.

The reference authority approach has proved relevant and effective. In all the participating countries, it has been recommended that it be retained. This approach has now been adopted in six stations in Paris. In Italy, more Help Centres will be assigned the role of 'reference authority' and the approach is also being adopted in Luxembourg, Poland and Spain.

The experience of the HOPE in Stations partnerships led to a follow-up project, 'WORK in Stations' ('**WO**rking On **R**einclusion **K**now-how in European train stations'),[2] promoting innovative ways of integrating homeless people into the labour market. This started in 2012, focusing, on the one hand, on exploring how to improve links between railway companies, social structures (NGOs) and public authorities to help homeless people find appropriate and realistic forms of work, and on the other hand, on building new partnerships between these actors in major stations in Brussels, Rome and Paris. After 13 months of the project, concrete new partnership agreements have been signed and are starting to produce results: local disadvantaged persons identified by the public agency and trained by the social structure are now employed by the railway enterprises in these stations.

(1) See http://solidarites-actives.com/pdf/ANSA_HOPE_FinalEvaluationReport_EN_V0.pdf for more information.

(2) See http://www.solidarites-actives.com/pdf/ANSA_WORK_ScientificReport_EN_VF.pdf

Box 16: Supporting social innovation for long-term care in the Netherlands[1]

Care homes for older people have to meet changing expectations from residents and their families for better standards of care and adequate staffing. In the past, quality standards in residential care were set by professionals and focused largely on non-quality-of-life/care issues such as the qualifications of staff and the structural integrity of the premises. In several EU Member States, regulators and providers have recently put in place better quality-management systems and methods geared to the assessment, measurement and continuous improvement of long-term care services, to some extent following similar approaches.

The 'Quality Management by result-oriented indicators towards benchmarking in residential care for older people' project (financed under PROGRESS) collected and validated results-oriented quality indicators for care homes, based on an exchange of experience in selected Member States. Apart from quality of care, emphasis was also placed on 'quality of life'. One of the objectives was to investigate and gain experience in methods, how to work with results-oriented indicators and how to train care-home managers in dealing with the various challenges. This study produced a handbook, *Measuring Progress: Indicators for Care Homes*, which was disseminated in five languages and helped to inform the SPC's Voluntary European Quality Framework for Social Services.

(1) For more information see http://www.euro.centre.org/data/1306242771_99752.pdf

Social innovation is one of the main priorities of the new Employment and Social Innovation (EaSI) Programme. EaSI addresses problems such as population ageing, high unemployment, poverty and social exclusion. These require effective reforms of welfare and pension systems and labour markets, and better access to finance and small-scale loans for social enterprises, unemployed people and people in unstable employment.

In 2014 EaSI aims to:

- support the design, evaluation and larger-scale implementation of new social policy initiatives in line with a social investment approach;

- explore the role of public-private partnerships in welfare reforms and investment in human capital;
- consider an award scheme for social entrepreneurs;
- focus social policy experimentation on support of social investment actions such as the 'housing first''/housing-led' approaches, 'one-stop-shops' and 'work in stations' projects.

The aim of EaSI is also to support projects which, if successful, can be scaled up with the support of the ESF. It aims to develop and expand capacity-building and microfinance support for micro-entrepreneurs and social enterprises. In addition, EaSI allocates € 10 million every year between 2014 and 2020 in **support of European-level networks that promote change in employment and social policy** and, more particularly, networks that are active in promoting social inclusion and poverty reduction in society, on the one hand, and access to finance (microfinance or social enterprise finance) on the other.

Other Commission initiatives

In addition to financial support, the Commission is supporting Member States through its analysis and expertise, and work on practical matters ranging from methodologies to studies and pilot projects, and from capacity-building to data timeliness and development.

The Commission is developing **methodologies** to guide and support Member States' reforms. These include a methodology for the multidimensional measurement of the efficiency and effectiveness of public budgets for social policies, which policy-makers can use when reforming policies to render them more adequate and sustainable. The Commission is also developing a methodology to develop reference budgets (a calculation of the cost of a basket of basic goods and services that a family of a certain size and composition needs to be able to live on). By using reference budgets, policy-makers can help ensure that income support reflects the real cost of living, and can help to raise people's standard of living so that they live in dignity.

The Commission is also developing a web-based resource tool, or **knowledge platform** to provide comparative analysis and examples of social policy reforms across the Member States. The aim is to promote and facilitate the exchange and dissemination of good practice between policy-makers, academics, NGOs, service providers and other key actors shaping and delivering social policy.

The European Platform for Investing in Children (EPIC) is helping to identify and evaluate good practices for investing in children. EPIC is a platform for sharing best policy practice for children and their families, and fostering cooperation and mutual learning in the field through thematic seminars and workshops.

In cooperation with the Institute for Prospective Technological Studies at the its Joint Research Centre, the Commission is developing a **policy-makers' manual for designing long-term care strategies**.

The EU has worked through a series of policy initiatives to support the development of the **social economy**. In 2003, the Council of the EU adopted a Regulation on the Statute for a European Cooperative Society (SCE) aiming to support the development of cross-border and trans-national activities by cooperatives.

In 2004, the European Commission issued a *Communication on the promotion of cooperative societies in Europe*, in which it called for more attention to be given to new Member States and candidate countries where the cooperative sector is relatively underdeveloped.

The EU is also working to provide **support services for social policy experimentation**. These services help the Commission back Member States' efforts to innovate and modernise social policies. They contribute also to awareness-raising and capacity-building in organisations and administrations involved in the design, implementation and evaluation of social policies, mainly through training and information sessions and the production of communication tools. Tailored advice ensures that policy-makers wishing to experiment with innovative approaches have access to adequate support.

The Commission has recently launched the **Social Business Initiative**, which offers an action plan to improve the visibility and recognition of social enterprises, to simplify the regulatory environment so that they can more easily operate beyond national borders, and to improve their access to funding. The Commission urged Member States and regions to develop comprehensive strategies and step up their efforts to promote social enterprises, making full use of EU Funds.

The Commission has also proposed **a Regulation encouraging the setting-up of pan-European investment funds for social businesses** by allowing them to refer to themselves as 'European Social Entrepreneurship Funds'.[19] This is designed to help investors identify funds that support European social businesses and provide them with key information about the social entrepreneurship funds. The proposed regulation should break down barriers to fundraising across Europe and make investments simpler and more efficient.

Lastly, **regular reports** containing in-depth analysis on the employment and social situation in Europe are continuing to be published by the Commission, including the *Employment and Social Situation Quarterly Review* and the annual *Employment and Social Developments in Europe Review*. The evidence contained in these reports serve as a resource to Member States to underpin evidence-based policies.

(19) Commission Proposal for a Regulation of the European Parliament and of the Council on Social Entrepreneurship Funds. COM(2011) 862.

© European Union

Conclusion

Commissioner László Andor recently pointed out that, to achieve the Europe 2020 targets, 'we need to reform our economies and modernise our social protection systems, hand in hand. An effective social protection system is not an obstacle to prosperity; on the contrary, it is an indispensable element of a competitive economy.'[20] In other words, modernising Europe's social models and putting a greater emphasis on social investment is the way forward.

At a time when so many EU citizens are facing hardships, this message is more important than ever. The extent to which social policies are able to protect against life's risks and enable people to participate in society is reaching certain limits, as nearly a quarter of Europeans today face a risk of poverty or social exclusion. People are Europe's biggest asset. Only investing in women and men, from birth to old age, can improve people's situations and help Europe emerge from the current economic crisis intact. Facing these challenges will require the Union's Member States to step up their efforts towards social investment and innovation, by using all the tools available in the public, private and third sectors.

(20) Introduction to *Investing in Social Europe*, European Commission, June 2013, http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7515&type=2&furtherPubs=yes

The Social Investment Package is the Commission's guidance in response to both the crisis and the long-term social and demographic trends. It sets out ways in which Member States can use their social budgets more efficiently and effectively and direct social investment to where it is most needed in order to ensure adequate, sustainable and inclusive social protection.

Member States should put the emphasis on investing in people, from their earliest years through to old age, strengthening their skills and capabilities, and enabling them to participate fully in society and the labour market. Preparing people to cope with life's risks, rather than having to repair the consequences of inaction at a later stage, is a win-win situation for both our societies and economies.

Especially important in this is providing access to high-quality early childhood education and care services, which also contribute both to children's success later in life and help parents reconcile work and caring responsibilities, especially women. Tackling childhood disadvantage at an early stage and offering early support to children and young people prevents the transmission of poverty across the generations. It also means improving the opportunities of Roma and marginalised populations by promoting inclusive labour markets, providing better support for jobseekers and improved chances for the active participation for older and disabled people in employment and society as a whole.

Indeed, the way forward builds on the premise that well-designed welfare systems which put the emphasis on areas such as education, quality childcare, healthcare, training, job-search assistance and rehabilitation can protect people from hardship, safeguard the economy from shocks and improve people's ability to participate in society and the labour market.

In addition to pursuing these goals, strengthening the social dimension of Economic and Monetary Union (EMU) is needed to ensure that the benefits of the EMU are shared amongst the Union's citizens. Economic governance of the EMU must include collective action to address severe employment and social problems before they develop disproportionately at Member State and euro-area level. Given the high degree of economic interdependence among members of a monetary union, such employment and social crises are also likely to have impact beyond national borders. Deepening the social dimension of the EMU is necessary to complete a genuine, sustainable, and equitable EMU, while helping Member States achieve their commitments in the Europe 2020 strategy for inclusive, smart and sustainable growth.

Contribution from the Irish EU Presidency: Joan Burton, Minister for Social Protection

Introduction

The startling collapse in the fortunes of the world economy and in particular the financial sector had a disproportionate impact on Ireland. - As a small open trading economy which entered the recession with a high level of private external indebtedness we suffered far more than most as a consequence of the dramatic reductions in liquidity in world financial markets and world demand for goods and service. The fact that the State then stepped into the shoes of private debtors and socialised their external debts added to the burden being carried by the Irish economy and severely constrained the ability of the State to respond to the economic shock. (While we welcome, and are grateful for, the financial support from other EU members and the IMF it is important to note that this support is not a 'bailout' as that term might commonly be understood but is in fact a loan – in effect bridging finance - to tide Ireland over while it takes steps to restore the confidence of the financial markets and can borrow again on its own account. This debt will, and is, being repaid.) Finally, to exacerbate matters, we entered the recession following a prolonged period of economic growth never before experienced in our country. This meant that our public institutions, including our public employment services and welfare services, were poorly prepared to deal with the tsunami of unemployed jobseekers which descended on them. This is the challenge I faced on becoming Minister for Social Protection; to somehow find a way to re-model and transform our employment and welfare services in the face of unprecedented constraints and during a period of record demand for our services. Our response to this challenge is the ***Pathways to Work*** strategy.

Pathways to Work

The Pathways to Work strategy launched in 2012 is the blueprint for the biggest set of reforms that our welfare services have ever seen. It provides for the establishment of an integrated employment and income support service with an intensified work activation focus. This integration of two previously separate services under ***Intreo*** (a one-stop shop for welfare and public employment services) is in line with international best practice. Our aim is to engage with every unemployed individual to make sure that their first day out of work is also their first step on the pathway back to work and to prevent the drift, without support from the State, into long-term unemployment.

The Strategy involves the provision of a suite of employment, education and training programmes that are relevant to labour market needs, that are attractive to unemployed people and that promote and assist in progression to paid open labour market employment. In addition, the *Intreo* service model ensures that the ***right*** of access to income support is accompanied by a ***responsibility*** to engage with employment services. People who don't engage with employment services are now subject to penalty rates of payment whereby their income supports are cut by just under 35%. The service model also tailors the type and intensity of employment services to a client's individual profile and related likelihood of an early returning to work. In this way we can concentrate our resources on those that need our help most. This approach to activation based on profiling is part of the first of five areas of focus in our *Pathways to Work* strategy:

- More on-going and intensive engagement with the long-term unemployed.
- Greater targeting of activation places and opportunities for the long-term unemployed.
- Removing disincentives for unemployed people to take up employment and other opportunities.
- Incentivising employers to provide more jobs for those who are unemployed.
- Reforming institutions to deliver better services.

These five strands of activity will ensure that Ireland's greatest resource, its people, will be given every chance to avoid long-term unemployment. In return, individuals are made aware of their responsibility to commit to job-search and/or other employment, education and training activities or risk losing welfare entitlements. Together, the five strands of 'Pathways to Work' present a coherent and effective transformation of Ireland's labour market activation policies.

Progress to date

Good progress has been made in implementing these reforms for example:

- The Social Contract of rights and responsibilities is now in force including penalty rates of payment for failure to engage with employment/training services.
- Every person registering for unemployment supports is now being profiled and

all of those currently unemployed will be profiled by the end of this year.
- As we roll-out the service, case-worker engagement with newly unemployed clients starts within two weeks rather than after three months.
- Additional programme places have been provided – on the national internship scheme, *JobBridge* (over 20 000 people benefiting, with a progression to employment rate of over 60 %), on *Springboard* (10 000 training opportunities for emerging high-skill jobs) and Momentum (6 000 people on a new vocational training programme for the long-term unemployed).
- Over 20 000 who were long-term unemployed at the start of 2012 have found employment.

There are now welcome signs of progress emerging from the Irish labour market. After four years of decline, employment has begun to grow again, rising by 1.8% over the last year, with the private sector creating 2 000 jobs a month. Although still unacceptably high, the unemployment rate has fallen from 14.7% to 13.7% in the last year, and the long-term unemployment rate fell from 9.1% to 8.2% over the same period.

It is important however not to overstate the significance of these tentative signs of recovery. Tackling the persistence of long-term unemployment will continue to be the key priority of the Government's Pathways to Work Strategy.

Conclusion - Pathways to Work 2013

The reversal of fortunes in Ireland's previously thriving economy has seen the re-emergence of the scourge of long-term unemployment. And while the economy has begun to show signs of recovering, it is crucial that any recovery does not leave behind those who lost their jobs during the Great Recession. This is the focus of our recently launched ***Pathways to Work 2013*** strategy, a 50 point action plan to fight back against long-term unemployment. This will see many of the initiatives – individual profiling, personalised case management and progression planning, the application of penalty rates for non-engagement, direct job matching and job placement – extended to people who have been unemployed for a long time. People who are long-term unemployed will be also be given priority access to training and education programmes (the selection/prioritisation process to be informed by the client profiles) and will be supported in acquiring the experience, skills, confidence and motivation necessary to progress to open labour market employment. To support them on this journey we are also offering employers a two year subsidy of c 25% on salary costs when they recruit somebody who has been unemployed for a year or more.

In combination with other social and income support policies, we expect our

continuing activation measures under ***Pathways*** to make a significant contribution to reducing the number of jobless households, and to moving towards our 2020 targets for reducing poverty, including child poverty.

There is an apocryphal story often told about two tourists stopping on a lonely country road in rural Ireland and asking an old man for directions to their hotel only for the old man to tell them that he "wouldn't choose to start the journey from here". This in some ways sums up the position we faced in starting the reform of the Irish welfare/employment services system. If we had a choice we wouldn't have started when and where we did. But nevertheless we have mapped out a journey and are, I believe, making good progress. I am confident that we will reach our destination in the not too distant future.

Voice from the European Parliament

Frédéric Daerden, Member of the European Parliament

Following five years' experience in the European Parliament on the Committee on Employment and Social Affairs, I can say that this is certainly an area of European public action where nothing is simple.

The complexity of the division of responsibilities between the institutions, which is understandably fairly incomprehensible to our fellow citizens, harms the image of European social action.

Starting from my initial experience as rapporteur in October 2011 for the European Platform against Poverty and Social Exclusion, a tool to achieve the objective of reducing poverty under the EU 2020 strategy, I have been able to gain an insight into and increase my understanding of a wide range of social issues: the European Globalisation Adjustment Fund (EGF), the social pillar of the Economic and Monetary Union (EMU), pensions, minimum income, the European Social Fund (ESF) and social dumping as a result of the incorrect application of the Directive on the posting of workers, among others.

On all of these issues, I have seen the groups in Parliament take a stand (so far so normal) plus ever-changing intergovernmental and institutional considerations.

In particular, these rifts are evident between: those seeking to put an end to the EGF and those who want it to continue; those who see the Union as no more than a large market and those who think that 'upward' social coordination should mitigate labour market distortions; those who want to quantify the objective of reducing poverty and those opposed to this; those advocating recovery via the European budget and those who would apply the same austerity to the budget as at national level, etc. The list could go on.

Given these circumstances, the European Commission, especially Commissioner Andor, must play a part in restoring the social health of a Europe in crisis, while remaining within the limits of its responsibilities and the Union's powers, which, as few citizens are aware, are fairly limited.

European social policy observers know that both I and the S&D Group in the European Parliament have been disappointed with the options chosen by the Commission and the Council in this area. This explains our repeated questions addressed to the Commissioner, whose limited responsibility we have seen.

However, I would note that some of the European Commission's initiatives point to a dawning recognition of the fundamental importance of social policy (in particular of social expenditure) in responding to the crisis. Perhaps the most notable example is the Commission's recent Communication on social investment, the central subject of this publication, in which it highlights the importance of this kind of investment in dealing with the crisis (in contrast to an unremitting austerity approach) and even goes so far as to underline the importance of minimum income schemes in the Member States (flirting with the limits of its powers).

In the middle of this political, institutional and intergovernmental maelstrom, these initiatives, some of which were supported in Parliament, have resulted in progress: continuation of the EGF's activities and reinforcement of the ESF, establishment of a quantified poverty reduction objective, funding of innovative social policies such as micro-financing for the social economy and the Council's willingness to 'discuss' a social pillar of the EMU.

Unfortunately, these steps forward appear insignificant to citizens in the face of the austerity policies decided at European level, including in the budget (for the first time, lower over the next seven years) or compared with other European policies with a negative social impact (unfettered liberalisation and a Directive on the posting of workers that is too easily subject to fraud, even today).

Consequently, the whole way in which Europe functions needs to be changed. The Council must allow for a more cohesive approach in the European public interest with a strong role for the Parliament and the Commission. Priorities must be reviewed on a political level in the various institutions, but this will be a matter for the upcoming European campaign.

Contribution from Heather Roy, President of the Social Platform

Social policies are not a cost but an investment for better social cohesion in our societies: a fact reinforced by the Social Investment Package. The Package is a much-needed opportunity to integrate social and economic policies at EU and Member State level. Especially in times of economic crisis, budgetary surveillance has to be complemented by, and compatible with, investments in social protection, social promotion, quality and affordable services, and active inclusion policies. In recent years, many Member States have implemented austerity measures that have cut public expenditure in social and health services, social protection and education and contributed to the increase of poverty, social exclusion, inequality and unemployment.

To be effective, we must go beyond short-term approaches and implement long-term, sustainable and structural change. This means addressing not only poverty, but also inequality – both in terms of access to resources and discrimination.

Social investment is not just an economic tool to encourage better, more impactful social returns on investment, but must be seen as a driver (with a rights-based approach) to combating poverty and social exclusion and ensuring well-being. Social investment must be part of a larger social welfare state 'package' based on different pillars which are interconnected and mutually reinforcing and cannot be dealt with separately; we must be careful not to prioritise social investment over other elements of our European social models such as social protection.

Finally, efforts to address social challenges will not succeed unless the people who are most affected, and the organisations that work for and with them, are involved. This link is essential and can be achieved through meaningful stakeholder engagement resulting in ambitious action by the EU and Member States to redress the imbalance between economic and social goals.

Heather Roy
President
Social Platform

Glossary of key terms

Active inclusion

Active inclusion refers to strategies that help integrate those who can work into sustainable, quality employment, and to provide enough resources for those who cannot to live in dignity. These strategies are based on integrating three pillars of social policy:

- Providing adequate, well-designed income support for those who need it, while helping them back into jobs, for example by linking out-of-work and in-work benefits;
- Ensuring inclusive labour markets and employment policies that address the needs of those least likely to get a job;
- Providing quality social services to support active social participation.

At risk of poverty and social exclusion

A person is considered to be at risk of poverty or social exclusion if s/he experiences one of the following three conditions: experiencing risk of poverty, experiencing severe material deprivation, or living in households with very low low work intensity. See individual index items for more information on these three conditions. The total number of people at risk of poverty or social exclusion is lower than the sum of the numbers in each category, as some fall into more than one category.

At risk of poverty:

A person is at risk of poverty if s/he is living in a household with an 'equivalised disposable income' below the risk of poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers).

Country-specific recommendations (CSRs)

As part of the European Semester, each May the European Commission proposes country-specific recommendations: policy advice to the Member States based on EU priorities, national budget and reform plans, and the particular circumstances of each Member State.

European Semester

A yearly cycle of economic policy coordination in the EU, starting with the Commission's Annual Growth Survey (towards the end of a calendar year) and concluded by the adoption of country-specific recommendations by the Council (June/July).

European Social Fund (ESF)

The ESF is Europe's main instrument for supporting jobs, helping people get better

jobs and ensuring fairer job opportunities for all EU citizens.

Fund for European Aid to the most Deprived (FEAD)

A fund to help Member States provide non-financial assistance to the most deprived persons. Proposed in October 2012, it is aimed at addressing food deprivation, the consequences of homelessness and the material deprivation of children.

FP7 (Seventh Framework Programme)

Framework programmes (FPs) have been the main financial tools through which the European Union supports research and development activities covering almost all scientific disciplines.

Households with low work intensity (jobless households)

A person is considered to be living in a household with very low work intensity(or a 'jobless household' if, on average, the adults in the household aged 18-59 worked less than 20 % of their potential total working hours in the past year. (Students are excluded from consideration).

NEETS

Young people aged 18-25 who are neither in employment, education or training.

Open Method of Coordination

The Open Method of Coordination is a process by which Member States can learn from each other by sharing information and comparing initiatives. This enables them to coordinate policies and adopt best practice.

Peer Reviews

Peer Reviews are an opportunity to exchange information on successful and promising practices, approaches, organisational structures and tools used in the delivery of public employment services (PESs). They aim to identify good practice by sharing experiences between a 'host PES' and participating 'peer PESs' from other countries.

Platform against Poverty and Social Exclusion

The European Platform against Poverty and Social Exclusion is one of seven flagship initiatives of the Europe 2020 strategy for smart, sustainable and inclusive growth.

It is designed to help EU countries reach the headline target of lifting 20 million people out of poverty and social exclusion.

Programme for Employment and Social Innovation (EaSI)

The Programme for Employment and Social Innovation (EaSI) will be launched in 2014. With a budget of € 815 million, it integrates three existing programmes: PROGRESS , European Employment Services (EURES) and the European Progress Microfinance Facility, and extends their coverage. The programme aims to provide financial support for policy coordination, the sharing of best practices, capacity-building and the testing of innovative social policies, with a positive social impact.

PROGRESS programme

PROGRESS (the Programme for Employment and Social Solidarity) is a financial instrument supporting the development and coordination of EU policy in the areas of employment, social inclusion and social protection, working conditions, anti-discrimination and gender equality.

Severe material deprivation

A person is considered to be severely materially deprived if her/**his** living conditions are constrained by a lack of resources and involving at least four of nine deprivation items: cannot afford 1) to pay rent/mortgage or utility bills on time, 2) to keep home adequately warm, 3) to face unexpected expenses, 4) to eat meat, fish or a protein equivalent every second day, 5) a one-week holiday away from home, 6) a car, 7) a washing machine, 8) a colour TV, or 9) a telephone (including mobile phone).

Social economy

The 'social economy' refers to a sector that is different both from the traditional public sector and from the private 'profit-driven' market. It consists of private organisations that pursue goals other than profit. Organisations in the social economy also rely on democratic decision-making processes to control the pursuit of their goals. They include associations, cooperatives, mutual organisations, foundations and social enterprises.

Social enterprise

A social enterprise is an operator in the social economy, the main objective of which is to have a social impact rather than make a profit for its owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.

Social innovation

Social innovation refers to new ideas (products, services and models) that meet social needs and create new social relationships or collaborations. It is aimed at improving human well-being.

Social Policy Experimentation

Social policy experimentation (SPE) is a tool to test the impact of a new policy or a new measure on a small scale with a view to up-scaling if its effectiveness is demonstrated. Social policy experimentations are implemented on a small scale because of uncertainty as to their impact, in conditions in which their impact can be measured and extrapolated to a larger scale.

Social Protection Committee (SPC)

The SPC is established by the Treaty on the functioning of the European Union (Article 160) as an advisory policy committee, composed of two delegates from each Member State and the European Commission. Its mandate includes monitoring the social situation of the EU and the development of social protection policies in the Member States and the Union, and promoting the cooperative exchange and coordination of policy approaches between Member States and the Commission. It plays an important role in reporting on and informing discussions in the specific areas of social inclusion, healthcare, long-term care and pensions under the social Open Method of Coordination.

Welfare State

A welfare state refers to a state that plays a large role in the protection and promotion of the economic and social well-being of its citizens. According to Barr (2011)[21] the welfare state works to provide insurance against social risks (such as ill health or old age), and it also aims to ameliorate need and poverty or, more generally, reduce welfare disparities.

(21) Barr, N. 2001 The Welfare State as Piggy Bank. Information, Risk, Uncertainty and the Role of the State. Oxford: Oxford University Press

Further reading

DG Employment Social Investment page:
http://ec.europa.eu/social/main.jsp?catId=1044&langId=en

Citizens' Summary: *Social Investment Package for Growth and Cohesion*

Commission recommendation: *Investing in children – breaking the cycle of disadvantage*

Commission Staff Working Document: *Investing in Health*

Commission Staff Working Document: *Evidence on Demographic and Social Trends (Parts 1 and 2)*

Commission Staff Working Document: *Confronting Homelessness in the European Union*

Commission Staff Working Document: *Long-term care in ageing societies – Challenges and policy options*

Commission Staff Working Document: *Social investment through the European Social Fund*

Annual Report of the Social Protection Committee (2012)

Social Europe: Current challenges and the way forward

EU Employment and Social Situation Quarterly Review

Employment and Social Developments in Europe 2012

Commissioner László Andor's website:
http://ec.europa.eu/commission_2010-2014/andor/index_en.htm

Subscribe to the European Commission's free e-mail newsletter on employment, social affairs and inclusion: http://ec.europa.eu/social/e-newsletter

Forthcoming guides

- Labour Law and Working Conditions (December 2013)
- ESF and other Funding Instruments (June 2014)

European Commission

Social policies – Social Europe guide – Volume 5

Luxembourg: Publications Office of the European Union

2013 — 78 pp. — 14.8 × 21 cm

ISBN 978-92-79-31257-1 – doi:10.2767/56330 (print)
ISBN 978-92-79-31260-1 – doi:10.2767/57129 (epub)
ISBN 978-92-79-31254-0 – doi:10.2767/56269 (online)

HOW TO OBTAIN EU PUBLICATIONS

Free publications:

- one copy:
  via EU Bookshop (http://bookshop.europa.eu);
- more than one copy or posters/maps:
  from the European Union's representations (http://ec.europa.eu/represent_en.htm);
  from the delegations in non-EU countries (http://eeas.europa.eu/delegations/index_en.htm);
  by contacting the Europe Direct service (http://europa.eu/europedirect/index_en.htm) or
  calling 00 800 6 7 8 9 10 11 (freephone number from anywhere in the EU) (*).

  (*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

Priced publications:

- via EU Bookshop (http://bookshop.europa.eu).

Priced subscriptions:

- via one of the sales agents of the Public ations Office of the European Union
  (http://publications.europa.eu/others/agents/index_en.htm).

KE-BC-13-001-EN-C (print)
KE-BC-13-001-EN-E (epub)
KE-BC-13-001-EN-N (online)

The Social Europe guide is a bi-annual publication aimed at providing an interested but not necessarily specialised audience with a concise overview of specific areas of EU policy in the field of employment, social affairs and inclusion. It illustrates the key issues and challenges, explains policy actions and instruments at EU level and provides examples of best practices from EU Member States. It also presents views on the subject from the Council Presidency and the European Parliament.

This fifth volume in the series of Social Guides sets out how the new challenges facing EU countries call for a rethink of our approach to social policies. It outlines the functions of social policies and recent initiatives by the European Commission to support increased 'social investment' – benefits and services that improve people's skills and capabilities and support people's inclusion in society. This guide also sets out how the European Union's social policy guidance is designed and delivered, and how the Commission is supporting Member States in making reforms to improve the adequacy and sustainability of their social policies.

The guide is available as an e-book and in printed format in English, French and German.

You can download our publications or subscribe for free at
http://ec.europa.eu/social/publications

If you would like to receive regular updates about the Directorate-General for Employment, Social Affairs and Inclusion sign up to receive the free Social Europe e-newsletter at
http://ec.europa.eu/social/e-newsletter

https://www.facebook.com/socialeurope

https://twitter.com/EU_Social

doi:10.2767/56330 (print)
doi:10.2767/57129 (epub)
doi:10.2767/56269 (online)

ISBN 978-92-79-31257-1