



Bruksela, dnia 28 lutego 2013 r.

KANCELARIA SENATU

Przedstawiciel Kancelarii Senatu
przy Unii Europejskiej

Sprawozdanie nr 22/2013

**Sprawozdanie na temat pakietu inwestycji społecznych
na rzecz wzrostu gospodarczego i spójności**

Bruksela, 20 lutego 2013 r.

Komisja Europejska wezwała państwa członkowskie w dniu 20 lutego 2013 r. do wyznaczenia priorytetów w zakresie inwestycji społecznych oraz do zmodernizowania swoich systemów opieki społecznej. Oznacza to usprawnienie realizacji strategii aktywnego włączenia społecznego oraz skuteczniejsze i wydajniejsze wykorzystywanie budżetów socjalnych. Wezwanie to sformułowane jest w przyjętym właśnie przez Komisję komunikacie w sprawie inwestycji społecznych na rzecz wzrostu i spójności.

Komunikat zawiera również wskazówki dla państw członkowskich, jak najlepiej wykorzystywać wsparcie finansowe UE, w szczególności z Europejskiego Funduszu Społecznego, przy wdrażaniu wyznaczonych celów. Komisja będzie ściśle monitorować funkcjonowanie systemów zabezpieczenia społecznego poszczególnych państw członkowskich poprzez semestr europejski i w razie konieczności formułować zalecenia skierowane do poszczególnych państw.

„Inwestycje społeczne mają kluczowe znaczenie, jeśli chcemy wyjść z kryzysu silniejsi, bardziej spójni i bardziej konkurencyjni. W ramach istniejących ograniczeń budżetowych państwa członkowskie powinny położyć większy nacisk na inwestycje w kapitał ludzki i spójność społeczną. Może to być bardzo istotne dla poczynienia prawdziwych postępów w drodze do osiągnięcia celów wyznaczonych w strategii Europa 2020. Inwestycje społeczne w dniu dzisiejszym pomogą uniknąć państwom członkowskim konieczności ponoszenia znacznie wyższych nakładów finansowych i

społecznych w przyszłości”, stwierdził **László Andor**, komisarz ds. zatrudnienia, spraw społecznych i włączenia społecznego.

Konsekwencje społeczne bieżącego kryzysu finansowego są bardzo poważne. Pakiet dotyczący inwestycji społecznych przedstawiony właśnie przez Komisję zapewnia państwom członkowskim wskazówki dotyczące wydajniejszej i skuteczniejszej polityki w odpowiedzi na poważne wyzwania, z jakimi się obecnie borykają. Wyzwania te to wysoki stopień trudności finansowych, rosnące ubóstwo i wykluczenie społeczne, jak również rekordowo wysokie bezrobocie, zwłaszcza wśród młodzieży. Oprócz tych wyzwań istnieje problem starzenia się społeczeństw i zmniejszania się liczebności populacji w wieku produkcyjnym, co wystawia na próbę stabilność i adekwatność krajowych systemów społecznych.

Pakiet dotyczący inwestycji społecznych zawiera zalecenie Komisji w sprawie przeciwdziałania ubóstwu wśród dzieci, wzywające do zintegrowanego podejścia do inwestycji społecznych przyjaznych dzieciom. Inwestowanie w dzieci i młodzież jest szczególnie skuteczne, jeśli chodzi o przełamywanie międzypokoleniowych cykli ubóstwa i wykluczenia społecznego oraz poprawę możliwości społecznych obywateli w późniejszym okresie życia.

Pakiet dotyczący inwestycji społecznych stanowi zintegrowane ramy polityki uwzględniające rozbieżności społeczne, gospodarcze i budżetowe między państwami członkowskimi. Główne elementy tych ram to:

- **zapewnienie, by systemy zabezpieczenia społecznego wychodziły naprzeciw potrzebom obywateli w najbardziej krytycznych momentach ich życia.** Należy nasilić działania, by zmniejszyć ryzyko degradacji społecznej i uniknąć w ten sposób ponoszenia wyższych wydatków socjalnych w przyszłości.
- **uproszczenie i lepsze ukierunkowanie polityki społecznej w celu zapewnienia odpowiednich i zrównoważonych systemów zabezpieczenia społecznego.** Niektóre kraje odnotowują lepsze wyniki niż inne mimo posiadania podobnych lub

mniejszych budżetów, co pokazuje, że istnieją możliwości bardziej wydajnego wydatkowania środków w ramach polityki społecznej;

- **udoskonalenie strategii aktywnego włączenia w państwach członkowskich.** Przystępna cenowo, wysokiej jakości opieka nad dziećmi i edukacja, zapobieganie przedwczesnemu kończeniu nauki, szkolenia i wsparcie w poszukiwaniu pracy, wsparcie w zakresie mieszkalnictwa i dostępność opieki zdrowotnej - wszystko to dziedziny polityki o silnym wymiarze inwestycji społecznych;

Zasadniczym elementem pakietu dotyczącego inwestycji społecznych jest komunikat określający ramy polityki, konkretne działania, które powinny być podjęte przez państwa członkowskie i Komisję, a także wytyczne dotyczące wykorzystania funduszy unijnych w celu wspierania reform. Towarzyszy mu:

- zalecenie Komisji **„Inwestowanie w dzieci: przerwanie cyklu defaworyzacji”** określające zintegrowane ramy polityki w celu poprawy szans dzieci;
- dokument roboczy służb Komisji zawierający dane na temat trendów demograficznych i społecznych oraz roli polityki społecznej w odpowiedzi na wyzwania społeczne, gospodarcze i makroekonomiczne, przed którymi stoi UE;
- dokument roboczy służb Komisji będący kontynuacją zalecenia Komisji z 2008 r. dotyczącego **aktywnej integracji osób wykluczonych z rynku pracy**;
- trzecie dwuletnie **sprawozdanie Komisji w sprawie usług socjalnych** świadczonych w interesie ogólnym ułatwiające organom publicznym i zainteresowanym podmiotom zrozumienie i wdrażanie zmienionych przepisów UE dotyczących usług socjalnych;
- dokument roboczy służb Komisji **w sprawie opieki długoterminowej**, w którym przedstawia się wyzwania i warianty polityki;
- dokument roboczy służb Komisji dotyczący **przeciwdziałania problemowi bezdomności**, w którym wyjaśnia się sytuację bezdomności w Unii Europejskiej i możliwe do rozważenia strategie;
- dokument roboczy służb Komisji dotyczący **inwestowania w zdrowie**, określający strategie mające na celu poprawę wydajności i skuteczności systemów opieki zdrowotnej w kontekście bardziej ograniczonych budżetów na opiekę zdrowotną oraz omawiający, w jaki sposób opieka zdrowotna może

przyczynić się do zwiększenia potencjału kapitału ludzkiego i integracji społecznej; oraz

- dokument roboczy służb Komisji przedstawiający w zarysie, **jak Europejski Fundusz Społeczny powinien przyczynić się do wdrażania pakietu dotyczącego inwestycji społecznych.**

Pakiet dotyczący inwestycji społecznych opiera się na europejskiej platformie współpracy w zakresie walki z ubóstwem i wykluczeniem społecznym oraz uzupełnia inne inicjatywy podjęte niedawno przez Komisję w celu sprostania wyzwaniom społecznym i gospodarczym Europy, mianowicie pakiet dotyczący zatrudnienia, pakiet dotyczący zatrudnienia młodzieży i białą księgę w sprawie emerytur. Inicjatywy te zapewniły państwom członkowskim dalsze wskazówki dotyczące krajowych reform niezbędnych w celu wypełnienia zobowiązań wynikających z uzgodnionych celów strategii Europa 2020.

- **Kontekst**

Pakiet dotyczący inwestycji społecznych jest oparty na analizie danych (np. przegląd „Zatrudnienie i kwestie społeczne w Europie” z 2012 r. – zob. poniżej) i istniejących dobrych praktykach, co pokazuje, że państwa członkowskie o zdecydowanym zaangażowaniu na rzecz inwestycji społecznych – tj. korzyści i usług zwiększających umiejętności i kwalifikacje obywateli – mają niższy odsetek ludności zagrożonej ubóstwem lub wykluczeniem społecznym, wyższy poziom wykształcenia, wyższe zatrudnienie, niższe deficyty i wyższy PKB na mieszkańca.

- **Pakiet inwestycji społecznych na rzecz wzrostu gospodarczego i spójności - pytania i odpowiedzi**

Komisja wzywa państwa członkowskie UE, aby bardziej priorytetowo traktowały inwestycje społeczne.

Tego rodzaju inwestycje oznaczają zwiększenie potencjału obywateli oraz wsparcie ich udział w życiu społeczeństwa i na rynku pracy. Dzięki inwestycjom społecznym

wzrośnie poziom życia Europejczyków oraz dynamika rozwoju gospodarczego, zaś UE wyjdzie z kryzysu silniejsza, bardziej spójna i konkurencyjna.

1. Na czym polega problem?

- **Kryzys gospodarczy** – bezrobocie, ubóstwo i wykluczenie społeczne osiągnęły rekordowe poziomy; problemy te prowadzą do wypychania ludzi z rynku pracy i poza społeczeństwo oraz do znacznego obciążenia budżetów publicznych. Z tego powodu może się okazać, że nie uda się zrealizować celu UE polegającego na wyprowadzeniu co najmniej 20 mln ludzi z ubóstwa i wykluczenia społecznego do 2020 r.
- **Zmiany demograficzne** – populacja Europejczyków w wieku produkcyjnym zmniejsza się, podczas gdy liczba osób w wieku emerytalnym wzrasta. Rządy państw członkowskich UE poszukują nowych sposobów zapewnienia trwałości systemów zabezpieczenia społecznego i odpowiedniej ochrony na ich podstawie.

2. Co oznacza pakiet inwestycji społecznych?

- Środki będą wydawane skuteczniej i efektywniej, dzięki czemu zabezpieczenie społeczne będzie odpowiednie i trwałe. Można to osiągnąć, upraszczając sposób zarządzania świadczeniami i usługami, lepiej je ukierunkowując oraz uzależniając je od spełnienia określonych warunków (np. udziału w szkoleniach).
- Inwestowanie w umiejętności ludzi oraz ich zdolności, celem zwiększenia możliwości zintegrowania się ze społeczeństwem oraz wejścia na rynek pracy. Przykładowymi dziedzinami takich inwestycji są edukacja, opieka nad dziećmi, opieka zdrowotna, szkolenia, pomoc w znalezieniu pracy oraz rehabilitacja.

- Zagwarantowanie, że systemy zabezpieczenia społecznego będą reagować na potrzeby obywateli w krytycznych momentach ich życia. Oznacza to inwestowanie na jak najwcześniejszych etapach, aby zapobiec późniejszym trudnościom; przygotowywanie ludzi, aby radzili sobie z problemami, które mogą pojawić się w przyszłości, a nie rozwiązywanie ich po ich wystąpieniu. Dlatego tak bardzo ważne jest inwestowanie w dzieci i młodzież.

3. Kto na tym skorzysta i w jaki sposób?

Dzięki wzmocnionym inwestycjom społecznym:

- **dzieci i młodzież** – dzięki wcześnie zastosowanym interwencjom i innym środkom będą mogły wyrwać się z międzypokoleniowych cykli ubóstwa,
- **osoby poszukujące pracy i osoby potencjalnie poszukujące pracy** – uzyskają zintegrowane i bardziej dostępne wsparcie w znalezieniu zatrudnienia,
- **kobiety** – skorzystają z większego równouprawnienia oraz zmniejszenia liczby barier na rynku pracy,
- **osoby starsze** – będą mogły dłużej aktywnie uczestniczyć w życiu społeczeństwa i w gospodarce,
- **niepełnosprawni** – będą w stanie żyć bardziej niezależnie i pracować na stanowiskach lepiej dostosowanych do ich potrzeb,
- **bezdomni** – uzyskają lepsze szanse na ponowną integrację ze społeczeństwem oraz znalezienie pracy,
- **pracodawcy** – będą mieć dostęp do większej liczby zdrowszych i lepiej wykształconych pracowników,
- **ogół społeczeństwa** – zwiększy wydajność, poziom zatrudnienia, zdrowia i integracji społecznej, co przyczyni się do wzrostu gospodarczego oraz zmniejszenia obciążenia budżetów zabezpieczenia społecznego.

4. Dlaczego to właśnie UE musi podjąć działania?

- Polityka społeczna i ochrony zdrowia zasadniczo leżą w zakresie odpowiedzialności rządów krajowych. Jednakże kryzys gospodarczy pokazał, że gospodarki państw członkowskich UE są w wysokim stopniu współzależne.
- Unia Europejska zapewni wsparcie finansowe dla państw UE na przeprowadzenie niezbędnych reform, w szczególności poprzez Europejski Fundusz Społeczny.

5. Jakich zmian można oczekiwać?

- Można spodziewać się większego zaangażowania w realizowanie strategii politycznych, których celem jest zwiększenie możliwości i umiejętności ludzi oraz wyeliminowanie przeszkód w znalezieniu pracy.
- Należy oczekiwać skuteczniejszego i bardziej efektywnego wykorzystywania zasobów, dzięki czemu zabezpieczenie społeczne będzie odpowiednie i trwałe.
- Lepszej sytuacji społeczno-gospodarczej dzięki zwiększeniu wydajności, szans zatrudnienia, poziomu zdrowia, skuteczniejszej pomocy ludziom w wychodzeniu z ubóstwa i wykluczenia społecznego oraz zapewnieniu im odpowiednich warunków życia.

6. Na kiedy planowane jest wejście w życie pakietu?

Rządy państw członkowskich UE wzywa się do wdrożenia wytycznych dotyczących polityki, zawartych w pakiecie, w jak najkrótszym terminie.

- **Dodatkowe informacje**

Komunikat Komisji Europejskiej Inwestycje społeczne na rzecz wzrostu i spójności, w tym wdrażanie Europejskiego Funduszu Społecznego na lata 2014–2020 - COM (2013) 83

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0083:FIN:PL:PDF>

Europa 2020 - cele:

http://ec.europa.eu/europe2020/targets/eu-targets/index_pl.htm

Pakiet dotyczący zatrudnienia:

<http://ec.europa.eu/social/main.jsp?catId=1039&langId=pl>

Pakiet dotyczący zatrudnienia młodzieży:

<http://ec.europa.eu/social/main.jsp?catId=1036&langId=pl>

Biała księga ws. emerytur:

<http://ec.europa.eu/social/main.jsp?langId=pl&catId=89&newsId=1194&furtherNews=yes>

Wiadomości na stronie internetowej DG ds. Zatrudnienia:

<http://ec.europa.eu/social/main.jsp?catId=1044&langId=en&moreDocuments=yes>

<http://ec.europa.eu/social/main.jsp?catId=1044&langId=pl>

Strona internetowa komisarza László Andora:

http://ec.europa.eu/commission_2010-2014/andor/index_en.htm

Bezpłatny biuletyn informacyjny Komisji Europejskiej na temat zatrudnienia, spraw społecznych i włączenia społecznego: <http://ec.europa.eu/social/e-newsletter>

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¹ Na podstawie informacji Komisji Europejskiej.



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**KOMUNIKAT KOMISJI DO PARLAMENTU EUROPEJSKIEGO, RADY,
EUROPEJSKIEGO KOMITETU EKONOMICZNO-SPOŁECZNEGO I KOMITETU
REGIONÓW**

**Inwestycje społeczne na rzecz wzrostu i spójności, w tym wdrażanie Europejskiego
Funduszu Społecznego na lata 2014–2020**

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**KOMUNIKAT KOMISJI DO PARLAMENTU EUROPEJSKIEGO, RADY,
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**Inwestycje społeczne na rzecz wzrostu i spójności, w tym wdrażanie Europejskiego
Funduszu Społecznego na lata 2014–2020**

WPROWADZENIE

Jednym z celów strategii „Europa 2020 – Strategia na rzecz inteligentnego i zrównoważonego rozwoju sprzyjającego włączeniu społecznemu”¹ jest pomoc co najmniej 20 milionom ludzi w wyjściu z ubóstwa i wykluczenia społecznego oraz zwiększenie zatrudnienia populacji w wieku 20–64 lat do 75 %. W osiągnięciu tych celów pomocne są inicjatywy przewodnie strategii „Europa 2020”, m.in. Europejska platforma współpracy w zakresie walki z ubóstwem i wykluczeniem społecznym oraz Program na rzecz nowych umiejętności i zatrudnienia. Europejski Semestr określa ramy dotyczące kierowania reformami gospodarczymi i społecznymi państw członkowskich oraz monitorowania tych reform. W kierowaniu reformami państw członkowskich w tych dziedzinach pomocna była otwarta metoda koordynacji w dziedzinie ochrony socjalnej i włączenia społecznego. Wspieranie spójności gospodarczej, społecznej i terytorialnej oraz zwalczanie wykluczenia społecznego i dyskryminacji należą do podstawowych celów Unii Europejskiej określonych w Traktacie². Karta praw podstawowych Unii Europejskiej stanowi, że instytucje UE oraz państwa członkowskie podczas wdrażania prawa UE powinny szanować osobiste, obywatelskie, polityczne, gospodarcze i społeczne prawa obywateli.

José Manuel Barroso, przewodniczący Komisji Europejskiej, podkreślił w swoim orędziu o stanie Unii Europejskiej, w 2012 r., że: „kraje europejskie o najskuteczniejszych systemach ochrony socjalnej i o najbardziej rozwiniętych partnerstwach społecznych należą do najsilniejszych i najbardziej konkurencyjnych gospodarek na świecie.”

Problemy wywołane przez kryzys w wielu państwach przełożyły się jednak na zwiększenie zagrożenia ubóstwem i wykluczeniem społecznym oraz wykluczeniem z rynku pracy³. Rozbieżności w obrębie państw członkowskich i pomiędzy nimi są coraz większe. Zjawiska te nie tylko zagrażają osiągnięciu celów strategii „Europa 2020” oraz konkurencyjności Europy w dobie globalizacji, ale mogą również mieć znaczące negatywne skutki gospodarcze i społeczne, biorąc pod uwagę fakt, że społeczne i gospodarcze skutki bezrobocia, ubóstwa i wykluczenia społecznego odczuwane są nie tylko przez indywidualne osoby, ale i przez całe społeczeństwo⁴.

Systemy opieki społecznej przyczyniły się do poprawy sytuacji społecznej, ale stoją one w obliczu zmian demograficznych oraz kryzysu finansowego i gospodarczego. Wynikające z opisanej sytuacji obciążenie budżetów publicznych i ryzyko powstania strukturalnych

¹ Komunikat Komisji „Europa 2020 – Strategia na rzecz inteligentnego i zrównoważonego rozwoju sprzyjającego włączeniu społecznemu”

COM(2010) 2020 z dnia 3 marca 2010 r.; konkluzje Rady Europejskiej z dnia 17 czerwca 2010 r.

² Artykuł 3 Traktatu o Unii Europejskiej.

³ Liczba osób zagrożonych ubóstwem i wykluczeniem społecznym wzrosła od 2008 r. w 18 z 26 państw członkowskich, których dotyczyły dostępne dane za 2011 r. (Eurostat)

⁴ Zob. dokument roboczy służb Komisji „Evidence on Demography and Social Trends – Social Policies' Contribution to Inclusion, Employment and the Economy” (Trendy demograficzne i społeczne – wpływ polityki społecznej na włączenie społeczne, zatrudnienie i gospodarkę), SWD(2013) 38.

niedoborów na rynku pracy w przyszłości zwiększają potrzebę modernizacji polityk społecznych w celu zwiększenia ich skuteczności i efektywności oraz sposobu ich finansowania. Istotne jest zapewnienie jak najlepszego wykorzystania dostępnych zasobów i uniknięcie potencjalnie trwałych negatywnych skutków kryzysu, zarówno w państwach, w których istnieją poważne ograniczenia budżetowe jak i w państwach członkowskich, które mają więcej swobody w tej dziedzinie. Przyszły wzrost gospodarczy i konkurencyjność wymagają inwestowania w kapitał ludzki, co jest podstawą wydajności i innowacji⁵.

Systemy opieki społecznej spełniają trzy funkcje: inwestycji społecznych, ochrony socjalnej oraz stabilizacji gospodarki. Przez inwestycje społeczne doskonalą się obecne i przyszłe umiejętności obywateli. Innymi słowy, oprócz skutków natychmiastowych, polityka społeczna ma również trwałe skutki, oferując na przestrzeni czasu korzyści gospodarcze i społeczne, w szczególności pod względem perspektyw zatrudnienia lub dochodów z pracy. Inwestycje społeczne pomagają przede wszystkim w przygotowaniu ludzi do stawienia czoła trudnościom życiowym, a nie tylko w usuwaniu ich skutków. Modernizacja polityk społecznych wymaga systematycznego wprowadzania w życie podejścia zorientowanego na wyniki *ex ante* przy podejmowaniu decyzji finansowych i systematycznego uwzględniania roli, jaką polityka społeczna odgrywa na różnych etapach życia: od kształcenia poprzez pracę lub bezrobocie aż do choroby i starszego wieku.

Polityka społeczna spełnia często dwie z wymienionych funkcji lub nawet wszystkie trzy z tych wymienionych powyżej, które mogą przynosić wzajemne korzyści. Zazwyczaj funkcja ochronna umożliwia w trudnych czasach kontynuację poprzednich inwestycji w kapitał ludzki. W związku z tym przeznaczenie części budżetu na określone funkcje może być mylące. To, czy wydatki na określoną politykę mają charakter inwestycji, zależy w dużej mierze od takich aspektów tych wydatków, uwzględnionych w ich opracowaniu, jak warunkowość, czas trwania, itd., od określonego kontekstu krajowego (komplementarność z innymi politykami) i usytuowania w czasie (cykl gospodarczy, ścieżka wzrostu). Na przykład opieka nad dziećmi ma funkcję ochronną, a gdy jest dobrze zorganizowana, stanowi istotną inwestycję w rozwój umiejętności i włączenia społecznego obywateli. Szwecja ma jeden z najwyższych w Europie wskaźników zatrudnienia kobiet dzięki przyjaznej dla rodzin polityce zatrudnienia, długim urlopom rodzicielskim oraz inwestycjom w ogólnodostępną opiekę nad dziećmi.

Dobrze zaprojektowane systemy opieki społecznej, łączące znaczące inwestycje społeczne z dwiema pozostałymi funkcjami – ochroną i stabilizacją, zwiększa skuteczność i efektywność polityki społecznej, przy jednoczesnym dalszym wspieraniu bardziej sprawiedliwego i integracyjnego społeczeństwa. Modernizacja polityki społecznej wiąże się w szczególności z większym naciskiem na działania aktywizujące. Umożliwia to obywatelom aktywne uczestniczenie w życiu społecznym i gospodarczym, przy maksymalnym wykorzystaniu ich możliwości. Systemy wsparcia powinny dawać możliwość odejścia od otrzymywania pomocy, dlatego też powinny one zasadniczo mieć charakter tymczasowy. Obejmuje to uzależnienie pomocy od osiągnięcia odpowiedniego i określonego celu (np. udziału w szkoleniu). Wsparcie powinno być lepiej ukierunkowane i skierowane do tych, którzy go potrzebują, wtedy gdy go potrzebują. Zindywidualizowane i zintegrowane usługi i świadczenia (np. dostarczone za pośrednictwem punktów kompleksowej obsługi) mogą zapewnić większą skuteczność polityki społecznej. Uproszczone procedury mogą ułatwić

⁵ Jak podkreślono w komunikacie Komisji „Silniejszy przemysł europejski na rzecz wzrostu i ożywienia gospodarczego Aktualizacja komunikatu w sprawie polityki przemysłowej”, COM(2012) 582 z dnia 10 października 2012 r.

potrzebującym dostęp do świadczeń i usług oraz pozwolić na uniknięcie pokrywania się programów i kosztów.

Niniejszemu komunikatowi towarzyszy zalecenie Komisji „Inwestowanie w dzieci: przerwanie cyklu marginalizacji” oraz kilka dokumentów roboczych służb Komisji. Stanowią one łącznie „Pakiet dotyczący inwestycji społecznych”. Pakiet ten określa ramy polityczne służące ukierunkowaniu w odpowiednich przypadkach polityki państw członkowskich na inwestycje społeczne przez całe życie, w celu zapewnienia adekwatności i stabilności budżetów przeznaczonych na politykę społeczną oraz ramy dla rządów i sektora prywatnego, zgodnie z rezolucją Parlamentu Europejskiego w sprawie paktu na rzecz inwestycji społecznych⁶. Cele te są zgodne z zachętą dla państw członkowskich sformułowaną w rocznej analizie wzrostu gospodarczego do „inwestowania we wzrost gospodarczy sprzyjający tworzeniu miejsc pracy i włączeniu społecznemu” oraz wezwaniem do kontynuowania modernizacji systemów ochrony socjalnej, zapewniania ich skuteczności, adekwatności i stabilności. Pakiet zawiera wytyczne mające pomóc w osiągnięciu celów strategii „Europa 2020” poprzez powiązanie polityk społecznych z reformami, zgodnie z zaleceniami Europejskiego Semestru, przyczyniającymi się do osiągnięcia celów strategii „Europa 2020” oraz w powiązaniu z odpowiednimi funduszami unijnymi. Zawiera on również apel o udoskonalenie systemu pomiaru ubóstwa, bardziej aktualną ogólnounijną statystykę społeczną UE oraz monitorowanie nowych tendencji oraz wyników⁷.

Niniejszy pakiet uzupełnia pakiet dotyczący zatrudnienia⁸, który określa plan działania w kierunku odnowy gospodarczej sprzyjającej zatrudnieniu, białą księgę w sprawie emerytur⁹, przedstawiającą strategię na rzecz adekwatnych, stabilnych i bezpiecznych emerytur oraz pakiet w sprawie zatrudnienia młodzieży¹⁰, który dotyczy w szczególności sytuacji młodych ludzi. Pakiet opiera się również na ramach prawnych zaproponowanych w celu realizacji polityki spójności w następnym okresie finansowym na lata 2014–2020, a w szczególności na Europejskim Funduszu Społecznym (EFS) i wniosku o przeznaczenie co najmniej 20 % z EFS w każdym państwie członkowskim na promowanie włączenia społecznego i zwalczanie ubóstwa.

1. WYZWANIA

Zmiany demograficzne

Począwszy od 2013 r. po raz pierwszy w historii zmniejszy się liczba ludności w wieku produkcyjnym, podczas gdy odsetek osób starszych będzie w szybkim tempie wzrastał. Obecnie na jedną osobę w wieku powyżej 65 lat przypadają cztery osoby na nią pracujące, ale liczba ma się zmniejszyć o połowę do 2040 r.

Państwa, regiony i sektory są pod tym względem zróżnicowane. Ogólnie mówiąc, w ciągu ostatnich lat liczba ludności w UE wzrosła w niewielkim stopniu, podczas gdy w ciągu

⁶ Rezolucja Parlamentu Europejskiego z dnia 20 listopada 2012 r. w sprawie paktu na rzecz inwestycji społecznych – reakcja na kryzys.

⁷ Zob. dokument roboczy służb Komisji „Evidence on Demography and Social Trends – Social Policies' Contribution to Inclusion, Employment and the Economy” (Trendy demograficzne i społeczne – wpływ polityki społecznej na włączenie, zatrudnienie i gospodarkę), SWD(2013)38.

⁸ Komunikat Komisji – „W kierunku odnowy gospodarczej sprzyjającej zatrudnieniu”, COM (2012) 173, 18 kwietnia 2012 r.

⁹ Biała księga Komisji – Plan na rzecz adekwatnych, bezpiecznych i stabilnych emerytur, COM (2012) 55, 16 lutego 2012 r.

¹⁰ Komunikat Komisji – „Wprowadzanie młodzieży na rynek pracy”, COM (2012), 727, z dnia 5 grudnia 2012 r.

ostatniego dziesięciolecia w kilku państwach członkowskich (wszystkich znajdujących się we wschodniej części UE) odnotowano stały spadek tej liczby. Z trudnościami borykają się niektóre regiony znajdujące się niekorzystnym położeniu, w których populacja społeczności marginalizowanych wzrasta.

Starzenie się społeczeństwa, wzrastający wskaźnik obciążenia demograficznego oraz mniejsza liczba ludności w wieku produkcyjnym zagrażają dostępności i stabilności budżetów publicznych przeznaczonych na cele związane z politykami społecznymi¹¹. Kryzys gospodarczy przyczynił się do zwiększenia bezrobocia, obniżenia dochodów podatkowych oraz zwiększenia liczby osób potrzebujących świadczeń, jeszcze bardziej zagrażając trwałości naszych systemów ochrony socjalnej.

Pomimo iż wszystkie państwa członkowskie borykają się z wyzwaniami demograficznymi, na terenie UE istnieją duże różnice pod względem liczby lat zdrowego życia i średniego trwania życia. Wynika to z wielu czynników warunkujących zdrowie, łącznie z warunkami życia i pracy oraz stylem życia. Przyczyniają się do tego również dostępność oraz jakość opieki zdrowotnej.

Możliwości zwiększenia skuteczności polityki społecznej

Spotęgowane przez kryzys wyzwania związane ze zmianami demograficznymi zwiększają obciążenie budżetów państw członkowskich, w czasie gdy do osiągnięcia celów strategii „Europa 2020” konieczne są zwiększone wysiłki.

Ponieważ wydatki publiczne przeznaczone na politykę społeczną, pokrywające znaczną część wydatków na emerytury i opiekę zdrowotną, obejmują w UE średnio około 29,5 % PKB, są one dokładnie badane w celu konsolidacji. Wiele reform musi się skupiać na zwiększeniu wydajności. Reformy te muszą być dobrze zaplanowane, aby nie miały negatywnego wpływu na poziom ubóstwa, wydajność, wzrost gospodarczy, zdrowie ludności oraz spójność społeczną.

Zapewnienie stabilności i adekwatności polityk społecznych wymaga od państw członkowskich znalezienia sposobów na zwiększenie wydajności i skuteczności przy jednoczesnym reagowaniu na główne zmiany demograficzne i społeczne¹². W niektórych przypadkach znaczna liczba świadczeń, agencji oraz warunków otrzymywania świadczeń skutkuje dodatkowymi kosztami administracyjnymi oraz powoduje, że najbardziej potrzebujący korzystają z nich w niewielkim stopniu. Do zbędnych wydatków prowadzi również nieskuteczne monitorowanie. Niektóre rodzaje świadczeń pieniężnych i usługi społeczne nie są właściwie ukierunkowane i nie docierają do osób, które potrzebują pomocy¹³.

¹¹ Szczegółową ocenę wpływu starzenia się społeczeństwa na budżet można znaleźć w sprawozdanie na temat starzenia się społeczeństwa z 2012 r. na stronie: http://ec.europa.eu/economy_finance/publications/european_economy/2012/pdf/ee-2012-2_en.pdf

¹² Zob. dokument roboczy służb Komisji „Evidence on Demography and Social Trends – Social Policies' Contribution to Inclusion, Employment and the Economy” (Trendy demograficzne i społeczne – wpływ polityki społecznej na włączenie, zatrudnienie i gospodarkę), SWD(2013) 38.

¹³ Zob. dokument roboczy służb Komisji „Report on Follow-up on the Implementation by the Member States of the 2008 European Commission Recommendation on Active Inclusion of People Excluded from the Labour Market – Towards a social investment approach” (Sprawozdanie w sprawie działań następczych dotyczących wdrażania przez państwa członkowskie zalecenia Komisji Europejskiej z 2008 r. w sprawie aktywnego włączenia osób wykluczonych z rynku pracy – w kierunku koncepcji inwestycji społecznych), SWD(2013) 39

Państwa członkowskie o podobnych poziomach wydatków przeznaczonych na politykę społeczną osiągają różne wyniki pod względem ubóstwa, zatrudnienia i zdrowia. Sugeruje to, że środki mogą być lepiej wykorzystywane¹⁴.

W analizie wzrostu gospodarczego rozpoczynającej Europejski Semestr w 2013 r. podkreślono, że trwający proces restrukturyzacji naszych gospodarek jest uciążliwy i trudny pod względem politycznym oraz społecznym, lecz jest on niezbędny do stworzenia podstaw przyszłego wzrostu gospodarczego i konkurencyjności, które będą inteligentne, trwałe i sprzyjające włączeniu społecznemu. W analizie tej podkreślono również potrzebę reform systemów opieki zdrowotnej w celu zapewnienia dostępu do wysokiej jakości opieki zdrowotnej oraz bardziej efektywnego wykorzystania środków publicznych. Konieczność przyspieszenia reform została już przedstawiona w zaleceniach dla poszczególnych krajów (CSR) w 2012 r., w których wzywa się do przedłużania okresu aktywności zawodowej oraz rozbudowywania systemu zachęt do podejmowania pracy, zapewniając lepsze możliwości (zatrudnienia) dla kobiet i osób młodych, poprawiając skuteczność transferów socjalnych oraz systemów pomocy oraz zapewniając dostęp do wysokiej jakości usług.

Zasoby sektora trzeciego i sektora prywatnego uzupełniają wysiłki sektora publicznego

Środki przeznaczone na politykę społeczną nie pochodzą jedynie z sektora publicznego. Znaczna ich część pochodzi również od osób indywidualnych oraz rodzin. Usługi społeczne na szeroką skalę świadczą również organizacje nienastawione na zysk. Usługi te obejmują schroniska dla bezdomnych, pomoc dla osób starszych i osób niepełnosprawnych oraz ośrodki udzielające porad w zakresie świadczeń socjalnych. Działania podejmowane przez sektor publiczny może uzupełniać działalność przedsiębiorstw społecznych¹⁵, które mogą stać się pionierami na nowych rynkach. Potrzebują one jednak większego wsparcia niż dotychczas¹⁶. Część sektora prywatnego nastawioną na zysk należy nadal zachęcać do wykorzystania potencjału inwestycji społecznych, na przykład dzięki zapewnianiu zdrowego i bezpiecznego środowiska pracy. Działania te nie ograniczają się jedynie do społecznej odpowiedzialności przedsiębiorstw i obejmują na przykład szkolenie w miejscu pracy, placówki opieki nad dziećmi w miejscu pracy, promocję zdrowia i przyjazne rodzinom miejsca pracy.

W kwestiach społecznych, państwa członkowskie nadal nie wykorzystują w pełni bardziej innowacyjnych sposobów finansowania, w tym udziału sektora prywatnego i inżynierii finansowej, poprzez stosowanie takich instrumentów jak mikrofinansowanie, gwarancje oparte na polityce i obligacje w dziedzinie inwestycji społecznych¹⁷, które powinny pozwalać na oszczędności budżetowe.

¹⁴ Zob. dokument roboczy służb Komisji „Evidence on Demography and Social Trends – Social Policies' Contribution to Inclusion, Employment and the Economy” (Trendy demograficzne i społeczne – wpływ polityki społecznej na włączenie, zatrudnienie i gospodarkę), SWD(2013)38.

¹⁵ Gospodarka społeczna, nazywana również „trzecim sektorem” obejmuje podmioty pozarządowe takie jak organizacje społeczne, organizacje wolontariackie oraz przedsiębiorstwa społeczne, które prowadzą działalność społeczną. Przedsiębiorstwa społeczne są przedsiębiorstwami mającymi głównie cele społeczne, w których nadwyżki są zazwyczaj ponownie inwestowane w przedsiębiorstwo lub społeczeństwo zamiast zwiększania zysków właścicieli i udziałowców.

¹⁶ Jak podkreślono w komunikacie Komisji dotyczącym inicjatywy na rzecz przedsiębiorczości społecznej „Budowanie ekosystemu sprzyjającego przedsiębiorstwom społecznym w centrum społecznej gospodarki i społecznych innowacji”, COM(2011) 682 z dnia 25 października 2011 r.

¹⁷ Poprzez obligacje społeczne zazwyczaj prywatni inwestorzy finansują usługi społeczne usługodawcy, który realizuje program społeczny w zamian za obietnicę („obligację”) ze strony sektora publicznego dotyczącą odzyskania początkowej inwestycji i wypłaty stopy zwrotu, jeżeli program osiągnie określone uprzednio cele społeczne.

Potrzeba inwestowania w kapitał ludzki w ciągu całego życia oraz zapewnienia odpowiednich środków utrzymania

Do osiągnięcia celów strategii „Europa 2020” potrzebne są rozległe działania naprawcze oraz sprostanie trudnościom, jakie ludzie napotykają na różnych etapach swojego życia.

Dzieci, które dorastają w ubóstwie, często przez całe życie w nim pozostają. Na przykład trudności w nauce¹⁸ i problemy ze zdrowiem w okresie dzieciństwa często narastają w ciągu dalszego życia. Dlatego właśnie duże znaczenia ma uwzględnienie uwarunkowań zdrowia na przestrzeni całego życia. Słabe wyniki w nauce wpływają bezpośrednio na przyszłe możliwości zatrudnienia i zarobki. Szczególnie zagrożone marginalizacją społeczną i gospodarczą oraz dyskryminacją są na przykład dzieci romskie. Tylko połowa z nich korzysta z wczesnej edukacji i opieki, tj. około połowa średniej UE, a w przypadku kilku państw członkowskich mniej niż 10 % kończy szkołę średnią, co skutkuje niskimi wskaźnikami zatrudnienia. W Republice Czeskiej, tylko 2 na 10 Romów żyjących w zmarginalizowanych miejscowościach ukończyło jakiegokolwiek formalne szkolenie lub szkołę średnią, co ma wpływ na ich ścieżki kariery¹⁹.

Potrzeba inwestycji w kapitał ludzki rozpoczyna się w bardzo wczesnym wieku i trwa przez całe życie. Stopa bezrobocia osób młodych wynosi obecnie ponad 23,4 % i stale wzrasta. Jednocześnie widoczny jest brak postępów w ograniczaniu zjawiska przedwczesnego zakończenia nauki oraz nieosiągania wykształcenia wyższego. Ponadto niepokojąco wysoki odsetek młodych ludzi (12,9 % młodych Europejczyków w wieku 15–24 lat lub łącznie 7,5 mln w 2011 r.) to młodzież niekształcąca się, niepracująca ani nie szkoląca się. W związku z tym w niektórych państwach członkowskich młodzi ludzie stają się stosunkowo bardziej zagrożeni ubóstwem niż osoby starsze. Zagrożenia te oraz brak zatrudnienia stanowią również poważny problem na terenach wiejskich w UE, gdzie młodym ludziom jest jeszcze trudniej wejść na rynek pracy i znaleźć zatrudnienie w porównaniu do ich rówieśników mieszkających na terenach miejskich i w dużych miastach²⁰.

Pracowników z pierwszej grupy wiekowej oraz pracowników starszych dotyka wzrastające długotrwale bezrobocie. Są oni w związku z tym zagrożeni ubóstwem. Zagraża to również ich zdolności do zatrudnienia, stabilności ich rodzin oraz ich zdrowiu psychicznemu i fizycznemu.

Oprócz młodych ludzi, trudności dotyczą również (starsze) kobiety, bezrobotnych, niepełnosprawnych oraz migrantów mieszkających w Europie. Grupy te dotyka bardzo wysoki poziom bezrobocia (19,6 % w 2011 r. w porównaniu ze średnim poziomem 9,7 %). Stopa zatrudnienia osób niepełnosprawnych jest około 25 % niższa niż w przypadku osób pełnosprawnych. Ponadto zagrożenie ubóstwem i wykluczeniem społecznym mieszkańców pochodzących z państw trzecich w wieku 25–54 lat jest średnio o 10 punktów procentowych wyższe w porównaniu do pozostałych mieszkańców w całej UE²¹. Znaczące są również różnice pod względem zagrożenia ubóstwem w następstwie transferu socjalnego pomiędzy

¹⁸ Na przykład ograniczenia w dostępie do wysokiej jakości kształcenia, ograniczony dostęp do dodatkowego wsparcia procesu nauczania, brak wsparcia rodziców lub dostępu do dodatkowych (pozaformalnych) możliwości uczenia się itp.

¹⁹ Bank Światowy, Dział sektora ds. rozwoju człowieka, region Europy i Azji Środkowej, nota w sprawie polityki „Włączenie Romów z Europy i Azji Środkowej – gospodarcza szansa dla Bułgarii, Republiki Czeskiej, Rumunii i Serbii” (ang. „Europe and Central Asia Roma Inclusion: An Economic Opportunity for Bulgaria, Czech Republic, Romania and Serbia Policy Note”) z dnia 30 września 2010 r.

²⁰ Zob. dokument roboczy Komisji SWD(2012) 44 final z 7.3.2012.

²¹ Źródło: Eurostat, EU-SILC 2008

migrantami a obywatelami UE i wynoszą 8 punktów procentowych²². Ponadto dzieci ze środowisk migracyjnych są bardziej zagrożone przedwczesnym zakończeniem nauki.

Rynki pracy nie są jeszcze oparte na zasadach włączenia społecznego. W niektórych państwach kobiety i osoby pochodzące ze środowisk migracyjnych bardzo wolno wchodzą na rynek pracy, a średnia liczba przepracowanych godzin pozostaje na niskim poziomie. Segmentacja i polaryzacja rynku pracy prowadzi do znaczących różnic pomiędzy rynkami pracy w różnych państwach, a systemy podatkowe i systemy świadczeń społecznych mogą zniechęcać do pracy, w szczególności w przypadku osób o niskich zarobkach i osób zapewniających drugie źródło dochodu. Wcześniejsze przechodzenie na emeryturę oraz różnice pomiędzy ustawowym i rzeczywistym wiekiem emerytalnym obniżają aktywność gospodarczą.

Dla wielu osób ich obecna praca nie jest wystarczająca, aby ich rodziny mogły wyjść z ubóstwa. Ubodzy pracujący stanowią jedną trzecią dorosłych w wieku produkcyjnym, którzy są zagrożeni ubóstwem²³.

Pomimo wysiłków zmierzających do modernizacji systemów opieki społecznej, państwa członkowskie osiągają bardzo rozbieżne wyniki, a w wielu z nich polityki społeczne nie chronią społeczeństwa w wystarczającym stopniu przed ubóstwem, wykluczeniem społecznym lub długotrwałym bezrobociem. Poziomy ubóstwa przy braku ochrony socjalnej mogą być nawet dwa razy wyższe, a pomimo tego coraz więcej osób otrzymuje albo zbyt niskie świadczenia albo nie otrzymuje ich wcale. Coraz więcej gospodarstw domowych znajduje się w trudnej sytuacji finansowej²⁴.

Nierówności w dochodach do dyspozycji w niektórych państwach wzrosły, a jednocześnie poziom życia wielu osób już znajdujących się w niekorzystnej sytuacji znacznie się pogorszył. Jest to niezgodne z prawem obywateli do godnego życia²⁵. Przykładowo, zgodnie z szacunkami na rok 2009²⁶ liczba bezdomnych w UE może co noc dochodzić do 410 000. Liczba ta rośnie w większości państw członkowskich i coraz więcej osób jest bezpośrednio zagrożonych eksmisją²⁷.

Działania w kwestii różnic w traktowaniu kobiet i mężczyzn

Szczególne wyzwania, jakie niosą za sobą różnice w traktowaniu kobiet i mężczyzn, muszą być traktowane w bardziej spójny sposób²⁸. Łącznie 12 mln więcej kobiet niż mężczyzn w UE żyje w ubóstwie. Ponadto kobiety zarabiają mniej, wskaźnik uczestnictwa kobiet w rynku pracy jest niższy i pracują one mniejszą liczbę godzin, co jest częściowo spowodowane nieodpłatną pracą w domu, opieką nad dziećmi i obowiązkami związanymi z opieką długoterminową. W szczególności:

²² Źródło: Eurostat, EU-SILC 2008

²³ Kwartalny przegląd dotyczący zatrudnienia i sytuacji społecznej w UE (EU Employment and Social Situation Quarterly Review), grudzień 2012 r.

²⁴ Trudna sytuacja finansowa oznacza konieczność wykorzystywania oszczędności lub zaciągania długów w celu pokrycia bieżących wydatków.

²⁵ Zob. również Karta praw podstawowych Unii Europejskiej, w której w rozdziale III ustanowiono prawa dzieci (art. 24) i osób starszych (art. 25) i która odnosi się również do równości kobiet i mężczyzn (art. 23) oraz integracji osób niepełnosprawnych (art. 26).

²⁶ Zgodnie z danymi ETHOS: <http://www.feantsa.org/files/freshstart/Toolkits/Ethos/Leaflet/EN.pdf>

²⁷ „A social inclusion roadmap for Europe 2020” (Plan działania na rzecz włączenia społecznego w ramach strategii „Europa 2020”). H. Frazer, E. Marlier, I. Nicaise, 2010 r.

²⁸ Zob. dokument roboczy służb Komisji „Trendy demograficzne i społeczne – wpływ polityki społecznej na włączenie, zatrudnienie i gospodarkę”, SWD(2013) 38.

- współczynnik aktywności zawodowej kobiet nadal jest o 16,4 % niższy od wskaźnika aktywności zawodowej mężczyzn, co jest odzwierciedleniem utrzymującego się podziału w wykonywaniu obowiązków domowych (64,9 % w porównaniu do 77,6 % w 2011 r. w grupie wiekowej 15–64 lat);
- wyższy odsetek kobiet pracujących w niepełnym wymiarze godzin skutkuje o 17 % niższą średnią tygodniową liczbą godzin pracy u kobiet (33,7 godzin w porównaniu do 40,6 w 2011 r.);
- różnica w wynagrodzeniach kobiet i mężczyzn wynosi 16,2 % (średnie wynagrodzenie za godzinę w 2010 r.), co wynika częściowo z faktu, iż kobietom płaci się mniej za porównywalną pracę, a częściowo z tego, iż kobiety częściej wykonują gorzej płatną pracę.

Biorąc pod uwagę powyższe informacje, szacuje się, że zarobki kobiet ogółem są średnio ponad 40 % niższe od zarobków mężczyzn²⁹. Ponieważ różnice w traktowaniu kobiet i mężczyzn utrzymują się przez całe życie, ich negatywne skutki kumulują się w czasie, co skutkuje na przykład niższym PKB, obniżeniem składek na ubezpieczenia społeczne oraz wyższym poziomem ubóstwa wśród starszych kobiet – 18 % kobiet w wieku ponad 65 lat jest zagrożonych ubóstwem w porównaniu do 13 % mężczyzn. Różnice te potęguje pochodzenie ze środowisk defaworyzowanych lub mniejszości etnicznych.

2. CZEGO NAM POTRZEBA? SKUPIENIA SIĘ NA PROSTYCH, UKIERUNKOWANYCH I WARUNKOWYCH INWESTYCJACH SPOŁECZNYCH

Pomiędzy państwami członkowskimi występują co prawda znaczne różnice, ale wszystkie one borykają się z trudnościami strukturalnymi, społecznymi i demograficznymi. W tych państwach, które przyjęły model wzrostu uwzględniający inwestycje społeczne na odpowiednio wczesnym etapie, były konsekwentne i realizowały je przed rozpoczęciem się kryzysu, wzrost sprzyjający włączeniu społecznemu jest wyższy niż w innych państwach³⁰. Modernizacja polityki społecznej stanowi przedmiot wspólnego zainteresowania na poziomie UE, ponieważ nieskuteczna polityka społeczna w jednym państwie może mieć wpływ na politykę w innych państwach, szczególnie w strefie euro. Niewystarczające inwestycje w politykę społeczną nakierowaną na pobudzenie rozwoju kapitału ludzkiego, na przykład politykę dotyczącą wczesnej edukacji i opieki nad dzieckiem, skutkują niższym poziomem wykształcenia i ogólnie niższym poziomem umiejętności w niektórych państwach członkowskich³¹. Fakt ten może przyczynić się do wyjaśnienia różnic w konkurencyjności gospodarczej między państwami członkowskimi oraz obecnych różnic w ramach unii gospodarczej i walutowej, ponieważ niskie wykształcenie i umiejętności oznaczają niższej jakości i mniej wydajną siłę roboczą. W państwach członkowskich o ograniczonej konkurencyjności gospodarczej może to również prowadzić do wyjazdu do pracy za granicę osób wysoko wykwalifikowanych, co jeszcze bardziej redukuje potencjał produkcyjny.

²⁹ W oparciu o obliczenia Komisji.

³⁰ Zob. dokument roboczy służb Komisji „Evidence on Demography and Social Trends – Social Policies' Contribution to Inclusion, Employment and the Economy” (Trendy demograficzne i społeczne – wpływ polityki społecznej na włączenie, zatrudnienie i gospodarkę), SWD(2013) 38.

³¹ Zob. publikacja OECD (2012 r.), „Dobry start III: jakościowy instrument w zakresie wczesnej edukacji i opieki nad dzieckiem” (ang. „Starting Strong III: A quality toolbox for Early Childhood Education and Care”), OECD, Paryż, zawierająca dowody na to, w jaki sposób edukacja przedszkolna wpłynęła na wyniki badania PISA (2009 r.) oraz różnice pomiędzy państwami członkowskimi pod względem inwestycji w tę edukację.

W obliczu długoterminowych trudności strukturalnych państwa członkowskie muszą się odpowiednio dostosować, aby zagwarantować adekwatność i stabilność naszych systemów zabezpieczeń społecznych oraz ich wkładu w stabilizację gospodarki. Dla osób, które mają czasowe trudności ze znalezieniem pracy, celem powinno być udoskonalanie ich umiejętności umożliwiających im powrót na rynek pracy. Należy do tego dążyć poprzez ukierunkowane, jak najbardziej atrakcyjne kosztowo działania skierowane na indywidualne potrzeby.

Umożliwianie ludziom wykorzystania w pełni swoich możliwości uczestniczenia w życiu społecznym i gospodarczym wymaga wspierania ich w kluczowych momentach życia. Wsparcie to zaczyna się od inwestowania w dzieci i młodzież i jest kontynuowane w późniejszym wieku. Innowacje społeczne muszą być nieodłączną częścią niezbędnych zmian opartych na testowaniu nowych polityk i wyborze tych, które są najbardziej skuteczne.

2.1. Zwiększenie stabilności i adekwatności systemów zabezpieczenia społecznego dzięki ich uproszczeniu i lepszemu ukierunkowaniu

Do osiągnięcia celów strategii „Europa 2020” potrzebne jest nowe podejście, uwzględniające ograniczenia budżetowe i wyzwania demograficzne, przed którymi stoją państwa członkowskie. Polityka społeczna musi być zarówno adekwatna, jak i stabilna finansowo, ponieważ te dwie kwestie są ze sobą powiązane. Oznacza to przede wszystkim potrzebę bardziej sprawnego i efektywnego wykorzystania dostępnych zasobów dzięki uproszczonym, lepiej ukierunkowanym i warunkowym politykom. Zarówno uniwersalizm, jak i selektywność muszą być stosowane w inteligentny sposób. Wykazano na przykład, że kształcenie przedszkolne, które jest powszechnie dostępne dla dzieci we Francji ma istotny i trwały pozytywny wpływ na zdolności dziecka do odnoszenia sukcesów w nauce oraz w dłuższej perspektywie uzyskania wyższej płacy na rynku pracy.

Dokument roboczy służb Komisji w sprawie inwestowania w zdrowie³² przedstawia sposób, w jaki inteligentne inwestycje w infrastrukturę ochrony zdrowia mogą prowadzić do lepszych wyników zdrowotnych, wydajności, większej zdolności do zatrudnienia, włączenia społecznego i oszczędnego wykorzystywania zasobów publicznych, dzięki przyczynianiu się do stabilności finansowej systemów opieki zdrowotnej³³, inwestowaniu w kapitał ludzki i sprawiedliwemu dostępowi do opieki zdrowotnej³⁴.

Wpływ wydatków należy zwiększać poprzez intensyfikację działań mających na celu obniżenie liczby oszustw i obciążeń administracyjnych dla użytkowników i dostawców usług. Strukturę finansowania można wzmocnić dzięki udoskonalonemu pobieraniu podatków, rozszerzeniu podstaw podatkowych, przeglądowi pozycji wydatków podatkowych i stworzeniu struktury podatkowej sprzyjającej wzrostowi, np. dzięki podatkom na ochronę środowiska. Polityka społeczna powinna być lepiej ukierunkowana na rzecz osób najbardziej potrzebujących w celu lepszego ich wykorzystania, a jednocześnie poprawy ich adekwatności i stabilności.

Komisja wzywa państwa członkowskie do:

- lepszego uwzględniania inwestycji społecznych przy przydzielaniu zasobów i projektowaniu założeń polityki społecznej. Oznacza to koncentrowanie się na politykach dotyczących opieki nad osobami potrzebującymi, w tym opieka nad

³² Zob. dokument roboczy służb Komisji w sprawie inwestowania w zdrowie, SWD(2013) 43

³³ Konkluzje z 3054. posiedzenia Rady ds. Gospodarczych i Finansowych w Brukseli z dnia 7 grudnia 2010 r.

³⁴ Konkluzje Rady w sprawie wspólnych wartości i zasad w systemach zdrowotnych Unii Europejskiej (2006/C 146/01)

dziećmi, kształcenia, szkolenia oraz aktywnej polityce rynku pracy, wsparciu w kwestiach mieszkaniowych, rehabilitacji i usługach zdrowotnych. Państwa członkowskie powinny poprawić stabilność systemów opieki zdrowotnej³⁵. Strukturę finansowania należy udoskonalić np. poprzez skuteczne pobieranie podatków, rozszerzenie podstaw podatkowych i stworzenie struktury podatkowej sprzyjającej wzrostowi, unikając negatywnego wpływu na popyt na pracę. Sprawozdania z osiągnięć należy zgłaszać w ramach krajowych programów reform (KPR);

- uproszczenia systemów świadczeń oraz administrowania tymi systemami zarówno dla użytkowników, jak i dostawców, w celu obniżenia obciążeń administracyjnych i zmniejszenia liczby oszustw oraz zwiększenia wykorzystania tych systemów. Można to osiągnąć na przykład dzięki tworzeniu punktów kompleksowej obsługi i unikaniu ustanawiania różnego typu oddzielnych świadczeń dla każdego przypadku. Komisja wzywa również do lepszego ukierunkowania polityki społecznej, w celu zagwarantowania, że osoby najbardziej potrzebujące otrzymają odpowiednią pomoc, przy jednoczesnym zmniejszeniu obciążenia finansów publicznych;

Komisja wesprze państwa członkowskie w następujący sposób:

- poprzez monitorowanie w ramach Europejskiego Semestru wydajności i skuteczności systemów zabezpieczeń społecznych i nacisku położonego w nich na inwestycje społeczne, z zamiarem poprawy ich adekwatności i stabilności. Na podstawie upoważnienia udzielonego przez Radę³⁶ oraz zgodnie z zapowiedzią Komisji uwzględnionej w jej programie prac na 2013 r. Komitet Ochrony Socjalnej będzie prowadzić prace w zakresie finansowania systemów zabezpieczeń społecznych oraz wydajności i skuteczności wydatków w zakresie ochrony socjalnej. Działania te będą obejmować opracowanie do końca 2013 r. pomocnej metodyki. Prace te oparte będą na analizie i wymianie doświadczeń w ramach otwartej metody koordynacji w dziedzinie ochrony socjalnej i włączenia społecznego.
- powołanie w 2013 r. zespołu ekspertów, który zapewni niezależne doradztwo w zakresie efektywnych sposobów inwestowania w zdrowie³⁷.

2.2. Kontynuacja aktywujących i wspierających polityk poprzez ukierunkowaną, warunkową i bardziej skuteczną pomoc

Aby dalej zwiększać odsetek ludności aktywnej zawodowo, szczególnie dzięki wyeliminowaniu barier na drodze do pełnego udziału w rynku pracy, oraz zwiększać liczbę nowych miejsc pracy i popyt na pracę, konieczne są działania zarówno rządów, jak i pracodawców w państwach członkowskich.

Oprócz elementów polityki zawartych w pakiecie w sprawie zatrudnienia oraz w pakiecie „Nowe podejście do edukacji”³⁸, które skupiają się na stronie popytu i podaży na rynku pracy,

³⁵ Działanie to powinno się opierać na wspólnym sprawozdaniu na temat systemów opieki zdrowotnej opracowanym przez Komitet Polityki Gospodarczej i Komisję, oraz na temat współpracy państw członkowskich z Radą w zakresie procesów refleksji nad systemami opieki zdrowotnej i przewlekłymi chorobami.

³⁶ Rada EPSCO z 17.2.2012: „podejmowanie działań w zakresie finansowania systemów zabezpieczenia społecznego, zachęcając inne odpowiednie komitety do udziału w tych ważnych pracach”.

³⁷ Decyzja Komisji 2012/C 198/06 z dnia 5 lipca 2012 r. w sprawie powołania wielosektorowej i niezależnej grupy ekspertów zapewniającej doradztwo w zakresie efektywnych sposobów inwestowania w zdrowie.

³⁸ Komunikat Komisji – „Nowe podejście do edukacji: Inwestowanie w umiejętności na rzecz lepszych efektów społeczno-gospodarczych”, COM(2012) 669 z dnia 20 listopada 2012 r.

oznacza to inwestowanie w politykę społeczną, usługi i świadczenia pieniężne, które zarówno skłaniają do działania, jak i umożliwiają te działania. Inwestycje społeczne powinny koncentrować się na wynikach, zarówno w przypadku poszczególnych obywateli, jak i ogółu społeczeństwa. Wsparcie musi oferować obywatelom możliwość odejścia od otrzymywania pomocy, być przyznane na tak długo, jak jest to konieczne i mieć zasadniczo charakter tymczasowy. W niektórych przypadkach usługi społeczne są bardziej pomocne niż świadczenia pieniężne. Ponadto niektóre rodzaje wsparcia, jak to często ma miejsce np. w przypadku zasiłków dla bezrobotnych, powinny być wzajemne, tj. uzależnione od osiągnięcia przez daną osobę określonego celu w najlepszy możliwy dla niej sposób.

Niezbędna do tego jest realizacja zaleceń i wytycznych w zakresie aktywnego włączenia³⁹ oraz wytycznych zawartych w niniejszym pakiecie⁴⁰. Stosowane środki muszą odpowiadać indywidualnym potrzebom, a nie być jedynie powiązane z charakterem świadczeń lub „grupą docelową”, do której należy dana osoba. Przykładem uproszczonego podejścia, które odpowiada na potrzeby indywidualnych osób są indywidualne kontrakty i punkty kompleksowej obsługi. Pomocne we wdrożeniu niniejszego zalecenia może być ustanowienie budżetów referencyjnych⁴¹.

Systemy podatkowe i systemy świadczeń powinny zapewnić opłacalność pracy, a polityka społeczna powinna również zapewniać odpowiednie źródła utrzymania. Należy dążyć do usunięcia przeszkód utrudniających kobietom i innym niedostatecznie reprezentowanym pracownikom uczestnictwo w rynku pracy. Należy interweniować na wczesnym etapie oraz zapewnić dostęp do podstawowych usług, takich jak zwykle rachunki płatnicze, internet, transport⁴², opieka nad dziećmi, edukacja i zdrowie. Częścią tych działań jest również zachęcanie do ustanawiania wariantów cenowych polegających na najlepszej ofercie⁴³ w przypadku produktów i usług konsumpcyjnych oraz poprawa włączenia społecznego pod względem finansowym. Wdrożenie pakietu legislacyjnego w sprawie kont płatniczych, które jest następstwem zalecenia z 2011 r. w sprawie dostępu do zwykłego rachunku płatniczego, będzie miało kluczowe znaczenie i zapewni środki umożliwiające zapewnienie zwykłego rachunku płatniczego⁴⁴ wszystkim konsumentom w UE.

Inwestycje społeczne odgrywają szczególną rolę w przypadku osób, które są w nieproporcjonalny sposób dotknięte bezrobociem, ubóstwem, cierpią z powodu złych warunków mieszkaniowych, dyskryminacji i złego stanu zdrowia. Wielu Romów żyje na przykład w sytuacji skrajnej marginalizacji oraz w bardzo złych warunkach społeczno-gospodarczych. W związku z tym konieczne są polityki ukierunkowane na ich potrzeby oraz oferujące zintegrowane wsparcie. Skupienie się na profilaktyce i wczesnych interwencjach w kwestiach dotyczących bezdomności może skutkować znacznymi oszczędnościami pod

³⁹ Zob. zalecenie Komisji z dnia 3 października 2008 r. w sprawie aktywnej integracji osób wykluczonych z rynku pracy (2008/867/WE) opublikowane w Dz.U. L. 307, s. 11 z 18.11.2008

⁴⁰ Zob. dokument roboczy służb Komisji „Sprawozdanie w sprawie działań następczych dotyczących wdrożenia przez państwa członkowskie zaleceń Komisji Europejskiej z 2008 r. w sprawie aktywnego włączenia osób wykluczonych z rynku pracy – w kierunku koncepcji inwestycji społecznych”, SWD(2013)39

⁴¹ Budżety referencyjne obejmują wykaz towarów i usług, które są potrzebne rodzinie o określonym rozmiarze i składzie do życia na określonym poziomie dobrobytu, łącznie z szacowanym miesięcznym i rocznym kosztem tych towarów i usług. Źródło: Europejska Sieć Zadłużenia Konsumentckiego (2009). Podręcznik budżetów referencyjnych, s. 5.

⁴² Zob. również ramy regulacyjne UE w zakresie praw pasażerów oraz usług transportu publicznego, rozporządzenie (UE) nr 1177/2010

⁴³ Najniższa cena, którą może zapłacić konsument za konkretny towar lub usługę, w tym, w stosownych przypadkach, zakup towarów lub usług wiązanych

⁴⁴ Zalecenie Komisji 2011/442/UE z 18.7.2011 r. w sprawie dostępu do zwykłego rachunku płatniczego.

względem zapewniania mieszkań w ramach programów interwencyjnych, opieki zdrowotnej i zapobiegania przestępczości. Wymaga to również zmiany przepisów i praktyk dotyczących eksmisji.

Niezbędnym elementem polityki w zakresie inwestycji społecznej jest innowacja, ponieważ polityka społeczna musi być stale dostosowywana do nowych wyzwań. Wiąże się to z opracowywaniem i realizacją nowych produktów, usług i modeli, testowanie ich oraz wybieranie tych, które są najbardziej skuteczne i wydajne. Osoby pracujące nad zmianami w zakresie polityki społecznej potrzebują na przykład warunków umożliwiających testowanie i promowanie nowych mechanizmów finansowych oraz mierzenie i szacowanie skutków ich działań.

Należy rozszerzyć zakres innowacyjnych działań w dziedzinie polityki społecznej, uwzględnić je w procesie kształtowania polityki i powiązać z priorytetami takimi jak realizacja zaleceń dla poszczególnych krajów, wykorzystując przy tym także EFS.

Wysiłki sektora publicznego mogą być uzupełnione przez działania sektora usługowego oraz przedsiębiorstwa społeczne, które mogą stać się pionierami w tworzeniu nowych usług i rynków dla obywateli i administracji publicznej. Potrzebują one jednak odpowiednich umiejętności i wsparcia. Ważne jest, aby państwa członkowskie dostarczały przedsiębiorcom społecznym systemy wsparcia, zachęty do tworzenia nowych przedsiębiorstw, oraz aby tworzyły sprzyjające otoczenie regulacyjne⁴⁵. Przykłady udanych projektów i sposobów dalszego wykorzystania funduszy unijnych, w szczególności EFS, są przedstawione w niniejszym pakiecie⁴⁶.

Komisja wzywa państwa członkowskie do:

- pełnego wdrożenia zalecenia Komisji w sprawie aktywnego włączenia (z 2008 r.) bez dalszej zwłoki, przy wykorzystaniu w stosownych przypadkach EFS i EFRR, uwzględniając trzy filary, na którym opiera się zalecenie: adekwatne wsparcie dochodów, rynki pracy sprzyjające włączeniu społecznemu oraz usługi wspierające; wprowadzenia ram prawnych, zapewniających dostęp do skutecznych, wysokiej jakości i przystępnych cenowo usług społecznych, które są zgodne z przepisami UE; ustanowienie, przy użyciu metodyki opracowanej przez Komisję we współpracy z Komitetem Ochrony Socjalnej, budżetów referencyjnych, pomagających w ustaleniu odpowiedniego i adekwatnego wsparcia dochodów i uwzględniających potrzeby społeczne na poziomie lokalnym, regionalnym i krajowym⁴⁷; postępy we wszystkich tych obszarach powinny znaleźć się w krajowych programach reform;
- zlikwidowania różnic w wynagrodzeniach kobiet i mężczyzn oraz usunięcia innych przeszkód utrudniających kobietom i niedostatecznie reprezentowanym pracownikom uczestnictwo w rynku pracy, łącznie z zachęcaniem pracodawców do podjęcia działań zmierzających do wyeliminowania dyskryminacji w miejscu pracy i zapewnienia środków umożliwiających pogodzenie pracy i życia prywatnego (takich jak usługi w zakresie opieki nad dziećmi), dostosowanych miejsc pracy, rozwiązań opartych na technologiach informacyjno-komunikacyjnych, eDostępności,

⁴⁵ Należy przestrzegać unijnych zasad w sprawie pomocy państwa (można również wykorzystać możliwości, jakie daje np. ogólne rozporządzenie w sprawie wyłączeń blokowych nr 800/2008 lub rozporządzenie w sprawie pomocy *de minimis* nr 1998/2006).

⁴⁶ Zob. dokument roboczy Komisji „Social Investment through the European Social Fund” (Inwestycje społeczne w ramach Europejskiego Funduszu Społecznego), SWD(2013) 44.

⁴⁷ Jak ustanowiono we wspólnych zasadach dotyczących aktywnego włączenia przyjętych przez Radę w dniu 12 grudnia 2008 r.

zarządzania różnorodnością, zapewniania programów służących do podniesienia kwalifikacji i uczestnictwa w szkoleniach oraz programów na rzecz uznawania umiejętności i kwalifikacji, jak również mobilności i rozwoju kolejnych etapów kariery; powinno to zostać osiągnięte poprzez takie działania jak uregulowania dotyczące rynku pracy i urlopów rodzicielskich oraz zachęty podatkowe; należy podjąć działania w celu zagwarantowania, że opodatkowanie i systemy świadczeń przyczyniają się do opłacalności pracy (np. zmniejszające się progi świadczeń lub ukierunkowane zachęty podatkowe dla pracujących). Do tego celu należy wykorzystać EFS, EFRR, Europejski Fundusz na rzecz Integracji oraz Europejski Fundusz Migracji i Azyłu;

- zwalczania bezdomności poprzez zastosowanie kompleksowych strategii opartych na zasadach prewencji i podejściach opierających się na kwestiach dotyczących mieszkalnictwa oraz dokonania przeglądu przepisów i praktyk dotyczących eksmisji, biorąc pod uwagę najważniejsze ustalenia wytycznych dotyczących zwalczania bezdomności zawartych w niniejszym pakiecie;
- wykorzystania w odpowiedni sposób Europejskiego Funduszu Pomocy Najbardziej Potrzebującym do zwalczania deprivacji materialnej i bezdomności, w tym poprzez wspieranie środków towarzyszących propagowaniu włączenia społecznego;
- wdrożenia zalecenia Komisji w sprawie dostępu do zwykłego rachunku płatniczego⁴⁸ i zachęcania do ustanawiania wariantów cenowych polegających na najlepszej ofercie w przypadku produktów i usług konsumpcyjnych oraz do poprawy włączenia społecznego pod względem finansowym;
- opracowania konkretnych strategii na rzecz innowacji społecznych, takich jak partnerstwa publiczno-prywatne w sektorze usług, zapewnienia adekwatnego i przewidywalnego wsparcia finansowego, w tym mikrofinansowania, oraz zapewnienia szkoleń, tworzenia sieci kontaktów i doradztwa, wspierających polityki oparte na faktach; wykorzystania do tego celu w pełni możliwości finansowania z EFS, EFRR, EFRROW, EFI oraz Programu Unii Europejskiej na rzecz przemian i innowacji społecznych, aby rozszerzyć zakres działania przynoszących efekty projektów; stawianie na pierwszym miejscu innowacji w zakresie polityki społecznej przy wdrażaniu odpowiednich zaleceń dla poszczególnych krajów oraz zdawanie sprawozdań w ramach krajowych programów reform;
- wspierania przedsiębiorców społecznych⁴⁹ poprzez tworzenie zachęt dla przedsiębiorstw rozpoczynających działalność oraz dla ich dalszego rozwoju poprzez poszerzanie ich wiedzy i kontaktów oraz zapewnianie im sprzyjającego otoczenia

⁴⁸ Zalecenie Komisji 2011/442/UE w sprawie dostępu do zwykłego rachunku płatniczego, 18.7.2011, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:190:0087:01:pl:HTML>.

⁴⁹ Oś „Przedsiębiorczość społeczna” programu na rzecz przemian i innowacji społecznych (o wartości 90 mln EUR) wspiera rozwój inwestycji społecznych na rynku i ułatwia dostęp przedsiębiorstw społecznych do źródeł finansowania poprzez udostępnianie instrumentów kapitałowych, quasi-kapitałowych, pożyczek i dotacji.

regulacyjnego, zgodnie z Inicjatywą na rzecz przedsiębiorczości społecznej⁵⁰ oraz planem działania na rzecz przedsiębiorczości do 2020 r.⁵¹;

- opracowywania innowacyjnych metod zabezpieczenia dodatkowych środków finansowania ze źródeł prywatnych przeznaczonych na inwestycje społeczne, na przykład poprzez partnerstwa publiczno-prywatne.

Komisja wesprze państwa członkowskie w następujący sposób:

- nadzorując, w ramach Europejskiego Semestru, reformy mające na celu aktywne włączenie⁵², opracowując metodyki dla budżetów referencyjnych w 2013 r., a także monitorując adekwatność wsparcia dochodów przy wykorzystaniu wyżej wymienionych budżetów referencyjnych, po tym jak zostaną one ustalone przez państwa członkowskie;
- wyjaśniając władzom publicznym i usługodawcom, w jaki sposób przepisy UE w zakresie pomocy państwa, rynku wewnętrznego i zamówień publicznych⁵³ mają zastosowanie do usług społecznych – za pomocą uaktualnionego przewodnika⁵⁴ i regularnej wymiany informacji z zainteresowanymi stronami;
- opracowując zalecenie w sprawie najlepszych praktyk w zakresie integracji Romów, korzystając z doświadczeń państw członkowskich i sporządzając coroczne sprawozdania w sprawie postępów w realizacji krajowych strategii integracji Romów w ramach Europejskiego Semestru; ułatwiając integrację Romów poprzez wymianę doświadczeń, jak również rozwój współpracy transnarodowej, dzięki sieci krajowych punktów kontaktowych ds. Romów;
- proponując inicjatywę ustawodawczą mającą na celu poprawę dostępu do zwykłego rachunku płatniczego, zwiększenie przejrzystości i porównywalności opłat bankowych i ułatwienie przenoszenie rachunku płatniczego do innego banku;
- lepiej informując obywateli o ich prawach socjalnych dzięki bardziej przyjaznym dla użytkownika przewodnikom ochrony socjalnej i pomagając w uruchamianiu usług dla obywateli umożliwiających im kontrolowanie swoich praw emerytalnych. Ponadto Komisja przyczyni się do zapobiegania dyskryminacji ze względu na przynależność państwową i zmniejszy przeszkody, na które napotykają pracownicy migrujący, dzięki dyrektywie, której celem jest lepsze stosowanie i egzekwowanie prawa do swobodnego przemieszczania się;
- przedstawiając w 2013 r. wytyczne dla państw członkowskich, dotyczące zastosowania innowacji w zakresie polityki społecznej przy wdrażaniu odpowiednich zaleceń dla poszczególnych krajów. Wytyczne te będą zawierać przykłady stosowania europejskich funduszy strukturalnych i inwestycyjnych (ESI);

⁵⁰ Komunikat Komisji, Inicjatywa na rzecz przedsiębiorczości społecznej: „Budowanie ekosystemu sprzyjającego przedsiębiorstwom społecznym w centrum społecznej gospodarki i społecznych innowacji”, COM (2011)682 z dnia 25 października 2011 r.

⁵¹ Komunikat Komisji, „Plan działania na rzecz przedsiębiorczości do 2020 r.”, COM (2012)795, z dnia 9 stycznia 2013 r.

⁵² Zob. przypisy 38 i 39.

⁵³ Wnioski Komisji w sprawie dyrektywy dotyczącej zamówień publicznych (COM (2011) 896 final) oraz w sprawie zamówień przez podmioty działające w sektorach gospodarki wodnej, energetyki, transportu i usług pocztowych (COM (2011) 895 final) są obecnie w fazie negocjacji.

⁵⁴ Przewodnik dotyczący zastosowania przepisów prawa Unii Europejskiej z zakresu pomocy państwa, zamówień publicznych i rynku wewnętrznego do usług świadczonych w ogólnym interesie gospodarczym, w szczególności do usług socjalnych świadczonych w interesie ogólnym.

- przedstawiając w 2013 r. sprawozdanie dotyczące wdrożenia komunikatu „Solidarność w zdrowiu: zmniejszanie nierówności zdrowotnych w UE”⁵⁵.

2.3. Inwestycje społeczne na przestrzeni życia obywateli

Pomoc powinna być ukierunkowana na konkretne potrzeby pojawiające się w życiu: począwszy od dzieciństwa i młodości poprzez przejście od nauki do pracy i samą pracę, rodzicielstwo, początek i koniec kariery, aż do starszego wieku. Oznacza to dostosowanie zintegrowanych usług, świadczeń pieniężnych i pomocy do najważniejszych momentów w życiu danej osoby i zapobieganie trudnościom, które mogą się ujawnić na późniejszym etapie.

W zaleceniu Komisji „Inwestowanie w dzieci: przerwanie cyklu marginalizacji”⁵⁶, które stanowi część niniejszego pakietu, jasno przedstawiono, w jaki sposób ukierunkowane inwestycje społeczne mogą stanowić część polityki opartej na prawach i uniwersalności oraz zwiększać równość szans.

Skupienie się na dzieciach ma zasadnicze znaczenie dla zapewnienia trwałej, skutecznej i konkurencyjnej gospodarki opartej na wiedzy i międzypokoleniowego sprawiedliwego społeczeństwa. Odpowiedni poziom przyszłych emerytur zależy od kapitału ludzkiego tych, którzy są obecnie dziećmi. Nieproporcjonalne zwiększenie średniej długości życia oraz zmniejszanie się odsetka ludności aktywnej zawodowo może doprowadzić do zachwiania struktury wydatków w kierunku świadczeń dla osób starszych, podwyższenia budżetów publicznych i zmniejszenia środków przeznaczonych na dzieci i młodzież. Istnieje powszechne przekonanie, że dobrej jakości wczesna edukacja i opieka nad dzieckiem jest skutecznym środkiem zapobiegania przedwczesnemu kończeniu nauki i poprawienia przyszłych wyników akademickich, poprawy zdrowia oraz przyszłego zatrudnienia i mobilności społecznej.

Przerwanie cyklu niekorzystnej sytuacji społecznej między pokoleniami oznacza zaangażowanie szeregu polityk, wsparcie dla dzieci, ale także ich rodziny i społeczności. Wymaga to zarówno świadczeń pieniężnych, jak i rzeczowych, równego dostępu do wysokiej jakości edukacji, ograniczenia zjawiska przedwczesnego zakończenia nauki, wyeliminowania segregacji szkolnej i niewłaściwego wykorzystania kształcenia specjalnego.

Inwestowanie w zdrowie, począwszy od najmłodszych lat, umożliwia dłuższą aktywność w lepszym zdrowiu, wyższą wydajność siły roboczej oraz niższą presję finansową wywieraną na systemy zdrowotne. Promocja zdrowia i profilaktyczna opieka zdrowotna są szczególnie istotne na przestrzeni całego życia. W tym kontekście ważne jest także podkreślenie korzyści płynących z inwestowania w zdrowie i bezpieczeństwo w miejscu pracy⁵⁷.

Odpowiedzią Komisji Europejskiej na wysokie bezrobocie wśród młodzieży jest pakiet w sprawie zatrudnienia młodzieży⁵⁸. Proponuje on rozwiązania gwarantujące, że każdy młody człowiek otrzyma dobrej jakości ofertę pracy, ustawiczne kształcenie i szkolenie zawodowe, ofertę praktyki lub stażu w ciągu czterech miesięcy od momentu utraty pracy lub ukończenia formalnego kształcenia. Ta „gwarancja dla młodzieży” zwiększa bezpieczeństwo zatrudnienia w młodym wieku poprzez wspieranie procesu przejścia od nauki do pracy. Procesowi temu powinny towarzyszyć możliwości doskonalenia umiejętności dostępne dzięki politykom

⁵⁵ Komunikat Komisji: „Solidarność w zdrowiu: zmniejszanie nierówności zdrowotnych w UE”, COM(2009) 567 final.

⁵⁶ Zob. zalecenie Komisji „Inwestowanie w dzieci: przerwanie cyklu marginalizacji” C(2013) 778

⁵⁷ COM(2007) 62 final z dnia 21 lutego 2007 r.

⁵⁸ Komunikat Komisji – „Wprowadzanie młodzieży na rynek pracy”, COM (2012)727 z dnia 5 grudnia 2012 r.

dotyczącym uczenia się przez całe życie. Proponowany program „Erasmus dla wszystkich”⁵⁹ pomoże również młodym ludziom w uzyskaniu dostępu do szkoleń i pozyskaniu umiejętności, które mogą przyczynić się do ich rozwoju osobistego, zdobycia nowych umiejętności i znajomości języków oraz poprawy ich perspektyw zawodowych.

W późniejszym okresie życia polityki w zakresie zdrowia i aktywnego starzenia się umożliwiają obywatelom pełne wykorzystanie swojego potencjału. Często niedocenia się możliwości udziału osób starszych w życiu społeczeństwa w roli opiekunów lub wolontariuszy. Aby udział ten był możliwy, osoby te muszą otrzymać odpowiednie wsparcie. Europejski Rok Aktywności Osób Starszych i Solidarności Międzypokoleniowej w 2012 r. zwiększył świadomość na temat wkładu, jaki starsze pokolenia wnoszą do społeczeństwa, oraz zapewnił impuls do inicjatyw politycznych, na przykład stworzenia federalnego planu na rzecz seniorów w Austrii.

Pakiet ten zawiera przykłady sposobów, w jakie można zapobiec konieczności opieki długoterminowej dzięki działaniom prewencyjnym, rehabilitacji i tworzeniu otoczenia bardziej przyjaznego dla osób starszych, a także poprzez opracowanie skuteczniejszych sposobów opieki⁶⁰. Powszechnemu niedoborowi siły roboczej w sektorze zdrowia i opieki długoterminowej należy również przeciwdziałać poprzez zachęty na rzecz zwiększenia zatrudnienia w tym sektorze oraz poprawy warunków pracy w nim panujących. Dostępne i przystępne cenowo usługi transportowe i odpowiednio dostosowane mieszkania umożliwiają również starszym osobom i osobom niepełnosprawnym kontrolę nad ich własnym życiem tak długo, jak to możliwe, oraz ograniczenie potrzeby opieki długoterminowej.

Komisja wzywa państwa członkowskie do:

- wdrożenia w zintegrowany sposób zalecenia „Inwestowanie w dzieci: przerwanie cyklu marginalizacji” dzięki zapewnieniu świadczeń pieniężnych i rzeczowych oraz dostępu do odpowiedniej jakości wczesnej edukacji, zdrowia i usług społecznych; podjęcia działań mających na celu zniesienie różnic w sytuacji dzieci poprzez wyeliminowanie segregacji szkolnej i niewłaściwego wykorzystania kształcenia specjalnego; położenia większego nacisku na wczesną edukację i opiekę nad dzieckiem i uczynienia ich łatwo dostępnymi, zgodnie z celami wyznaczonymi w Barcelonie⁶¹ w dziedzinie opieki nad dziećmi oraz celami UE w zakresie wczesnej edukacji i opieki nad dzieckiem⁶²; sporządzania sprawozdań w ramach krajowych programów reform; wykorzystania EFS, EFRR i EFRROW do promowania dostępu do usług zdrowotnych i społecznych oraz wczesnej edukacji i opieki nad dzieckiem;
- wdrożenia zalecenia w sprawie „polityki na rzecz ograniczenia zjawiska przedwczesnego zakończenia nauki” oraz opracowania opartej na faktach i

⁵⁹ Komunikat Komisji – „Erasmus dla Wszystkich: Program UE na rzecz kształcenia, szkolenia, młodzieży i sportu”, COM(2011) 787 z dnia 23 listopada 2011 r.

⁶⁰ Zob. dokument roboczy służb Komisji – „Long-Term Care in Ageing Societies - Challenges and Policy Options” (Opieka długoterminowa w starzejących się społeczeństwach: wyzwania i warianty polityki), SWD(2013) 41

⁶¹ W 2002 r. na szczycie w Barcelonie Rada Europejska określiła cele zapewnienia do roku 2010 opieki nad dziećmi dla 1) co najmniej 90 % dzieci w wieku od trzech lat do rozpoczęcia obowiązkowej nauki szkolnej oraz 2) co najmniej 33 % dzieci w wieku poniżej 3 lat.

⁶² Do roku 2020 co najmniej 95 % dzieci w przedziale wiekowym od czterech lat do podjęcia obowiązku szkolnego powinno uczestniczyć w edukacji elementarnej. Konkluzje Rady z dnia 12 maja 2009 r. w sprawie strategicznych ram europejskiej współpracy w dziedzinie kształcenia i szkolenia („ET 2020”), załącznik I do konkluzji (Dz.U. C 119 z 28.5.2009, s. 7).

kompleksowej polityki w zakresie przeciwdziałania przedwczesnemu zakończeniu nauki, obejmującej środki zapobiegawcze, interwencyjne i kompensujące⁶³,

- stosowania zasad aktywności osób starszych i solidarności międzypokoleniowej⁶⁴ oraz wskaźnika aktywnego starzenia się⁶⁵, który umożliwia monitorowanie liczby osób starszych na rynku pracy, ich uczestnictwa w życiu społecznym i samodzielnego życia, oraz możliwości oferowanych przez Europejskie partnerstwo na rzecz innowacji sprzyjającej aktywnemu starzeniu się w dobrym zdrowiu⁶⁶, w celu oceny w jakim stopniu osoby starsze mogą wykorzystać swój potencjał.

Komisja wesprze państwa członkowskie w następujący sposób:

- udoskonalając sposób gromadzenia danych dotyczących zmian w czasie ze szczególnym uwzględnieniem danych dotyczących dzieci, aby dostarczać lepszej jakości informacji i uwzględniać je podczas opracowywania i monitorowania polityki społecznej zorientowanej na cały cykl życia; sporządzając sprawozdania z poczynionych postępów w dziedzinie zatrudnienia i rozwoju sytuacji społecznej w Europie;
- badając skuteczność warunkowego przekazywania środków pieniężnych na rzecz wspierania wczesnej edukacji i opieki nad dzieckiem, za pomocą projektu badawczego finansowanego w ramach programu PROGRESS;
- współpracując z Komitetem Ochrony Socjalnej w 2013 r. w celu opracowania sprawozdania na temat polityki opieki długoterminowej, by wspierać zdrowe i aktywne starzenie się i zwiększenie możliwości samodzielnego życia dla osób w każdym wieku, wykorzystując wszystkie możliwości nowych technologii, w tym usługi typu e-zdrowie, i monitorując postępy w celu osiągnięcia zrównoważonej, adekwatnej ochrony socjalnej chroniącej przed koniecznością opieką długoterminową; Komisja opracuje również na podstawie prac, które zostaną przeprowadzone w latach 2013–2014 przez Instytut Perspektywicznych Studiów Technologicznych w ramach Wspólnego Centrum Badawczego Komisji Europejskiej, „podręcznik decydentów”, mający na celu pomoc państwom członkowskim w opracowaniu strategii dotyczących opieki długoterminowej.

3. WYTYCZNE DOTYCZĄCE WYKORZYSTANIA FUNDUSZY UNIJNYCH NA LATA 2014 – 2020

Budżet unijny powinien być „katalizatorem wzrostu gospodarczego i zwiększania zatrudnienia w Europie, w szczególności poprzez lewarowanie produktywnych inwestycji i inwestycji w kapitał ludzki”⁶⁷. Udział środków unijnych przeznaczanych przez państwa członkowskie na zatrudnienie, rozwój kapitału ludzkiego, zdrowie i politykę społeczną, w szczególności w ramach EFS, uległ jednak od 1989 r. obniżeniu. Dlatego właśnie Komisja zaproponowała, aby w latach 2014–2020 co najmniej 25 % środków z funduszu polityki

⁶³ Zalecenie Rady z dnia 28 czerwca 2011 r. w sprawie polityk na rzecz ograniczania zjawiska przedwczesnego kończenia nauki (Dz.U. 2011/C 191/01).

⁶⁴ Konkluzje Rady z dnia 6 grudnia 2012 r.

⁶⁵ Informator polityczny Komisji i Europejskiej Komisji Gospodarczej ONZ (najbliższy w 2013 r.) – wskaźnik aktywnego starzenia się dostępny na stronie: <http://europa.eu/ey2012/ey2012.jsp?langId=pl>.

⁶⁶ Celem Europejskiego partnerstwa na rzecz innowacji sprzyjającej aktywnemu starzeniu się w dobrym zdrowiu jest zwiększenie średniej długości życia w zdrowiu obywateli UE o dwa lata do 2020 r. Jest on częścią inicjatywy przewodniej „Unia innowacji” strategii „Europa 2020”.

⁶⁷ Konkluzje z posiedzenia Rady Europejskiej (7–8 lutego 2013 r.)

spójności zostało przeznaczone na kapitał ludzki i inwestycje społeczne, tj. inwestowanie w ludzi w ramach EFS. Ponadto Komisja zaproponowała, aby co najmniej 20 % łącznych zasobów EFS w każdym państwie członkowskim przeznaczonych było na cel tematyczny „Promowanie włączenia społecznego i zwalczanie ubóstwa”.

W okresie programowania na lata 2007–2013 Europejski Fundusz Społeczny objął dotychczas swym zasięgiem ponad 50 mln osób, w tym ponad 4,5 mln bezrobotnych i 5 mln osób nieaktywnych jedynie w 2011 r. Osiągnięcie takiego wyniku było możliwe dzięki 75 mld EUR przeznaczonym na pomoc w rozwoju potencjału ludzkiego, dzięki zwiększaniu kwalifikacji obywateli i oferowaniu im lepszych perspektyw zawodowych. Programy te pomogły w złagodzeniu negatywnych skutków kryzysu oraz w utrzymaniu miejsc pracy i przygotowaniu na ożywienie gospodarcze. 18 miliardów EUR z Europejskiego Funduszu Rozwoju Regionalnego zostało przeznaczonych na środki związane z włączeniem społecznym, głównie na wsparcie edukacji, zdrowia i inwestycji w infrastrukturę społeczną.

Najważniejszymi instrumentami pomagającymi państwom członkowskim we wdrożeniu strategii przedstawionej w pakiecie dotyczącym inwestycji społecznych są unijne fundusze strukturalne i inwestycyjne (ESI)⁶⁸, w szczególności EFS oraz PROGRESS na lata 2007–2013, program na rzecz przemian i innowacji społecznych na lata 2014–2020 oraz Europejski Fundusz Pomocy Najbardziej Potrzebującym. Wsparcie finansowe w ramach polityki spójności, której celem jest wzmocnienie spójności gospodarczej, społecznej i terytorialnej w całej Unii, nadal będzie ważnym narzędziem w okresie programowania 2014–2020, służącym do osiągnięcia celów strategii „Europa 2020”, obok niezbędnych reform i modernizacji, które zostały przedstawione w niniejszym komunikacie.

W celu wspierania wzrostu gospodarczego sprzyjającego włączeniu społecznemu Komisja zaapelowała do państw członkowskich o zagwarantowanie, że ich polityki w zakresie zatrudnienia, rozwoju kapitału ludzkiego, modernizacji usług świadczonych w interesie ogólnym, inwestycji terytorialnych i włączenia społecznego odzwierciedlają zalecenia dla poszczególnych krajów i analizę głównych wyzwań określonych w dokumentach roboczych służb Komisji, które oceniają krajowe programy reform oraz programy stabilności⁶⁹. Finansowanie w ramach EFS⁷⁰ może być uzupełnione przez dalsze finansowanie z EFRR, w szczególności przeznaczone na inwestowanie w zdrowie, infrastrukturę społeczną, opiekę nad dziećmi, mieszkalnictwo i edukację, jak również wsparcie rewitalizacji fizycznej i gospodarczej ubogich społeczności miejskich i wiejskich. Inwestycje te mogą mieć wpływ na reformę polityki społecznej, np. poprzez desegregację placówek edukacyjnych, większy zakres opieki świadczonej przez społeczności lokalne i zintegrowane polityki w zakresie mieszkalnictwa.

Rozporządzenie w sprawie wspólnych przepisów⁷¹ określa priorytety, które mają być finansowane z unijnych funduszy strukturalnych i inwestycyjnych. Fundusze ESI będą

⁶⁸ Europejski Fundusz Społeczny (EFS), Europejski Fundusz Rozwoju Regionalnego (EFRR), Fundusz Spójności, Europejski Fundusz Rolny na rzecz Rozwoju Obszarów Wiejskich (EFRROW), Europejski Fundusz Morski i Rybacki.

⁶⁹ http://ec.europa.eu/europe2020/index_pl.htm.

⁷⁰ Zob. dokument roboczy Komisji „Inwestycje społeczne w ramach Europejskiego Funduszu Społecznego”, SWD(2013) 44.

⁷¹ Wniosek dotyczący rozporządzenia Parlamentu Europejskiego i Rady ustanawiającego wspólne przepisy dotyczące Europejskiego Funduszu Rozwoju Regionalnego, Europejskiego Funduszu Społecznego, Funduszu Spójności, Europejskiego Funduszu Rolnego na rzecz Rozwoju Obszarów Wiejskich oraz Europejskiego Funduszu Morskiego i Rybackiego objętych zakresem wspólnych ram strategicznych oraz ustanawiającego przepisy ogólne dotyczące Europejskiego Funduszu Rozwoju

wspierać wdrażanie odpowiednich zaleceń dla poszczególnych krajów i krajowych programów reform. Postępy w zakresie realizacji celów polityki będą przedmiotem dyskusji w ramach Europejskiego Semestru.

Państwa członkowskie mogą wykorzystywać fundusze EFS do wspierania realizacji kierunków polityki, które zostały przedstawione w niniejszym komunikacie, w tym poprzez innowacje społeczne, gospodarkę społeczną i przedsiębiorczość społeczną⁷². Szczególny nacisk finansowania z EFS, z pomocą EFRR, na innowacje społeczne⁷³, w celu wspierania testowania innowacyjnych rozwiązań i ich rozpowszechniania przyczyni się do rozwoju bardziej skutecznych polityk społecznych.

Komisja przedstawi bardziej szczegółowe informacje w formie wytycznych operacyjnych, które mają zostać opublikowane do połowy 2013 r. i zawierać wskazówki dla państw członkowskich co do tego, jak najlepiej wykorzystać fundusze ESI, aby osiągnąć uzgodnione cele tematyczne. Wskazówki te przyczynią się do realizacji reform politycznych oraz zapewnienia stabilnych i efektywnych usług świadczonych w interesie ogólnym. Przykładowo w kwestii ubóstwa wśród dzieci dotyczyć będą one interwencji, które byłyby wymagane w państwie o dużym odsetku ludności romskiej, niskim poziomie opieki nad dziećmi oraz dużych dysproporcjach pod względem wyników w nauce. Inne kwestie obejmują na przykład innowację, opiekę nad dziećmi, zdrowie, deinstytucjonalizację i aktywne włączenie.

Oprócz funduszy ESI, odpowiednie przepisy dotyczące finansowego wsparcia innowacji w zakresie polityki społecznej są zawarte w Programie Unii Europejskiej na rzecz przemian i innowacji społecznych, programie „Horyzont 2020”, COSME⁷⁴ oraz programie w dziedzinie zdrowia. EFS może zwiększyć zastosowanie polityk społecznych, które sprawdziły się w sektorze publicznym i prywatnym, w głównych nurtach polityki. Europejski Fundusz Pomocy Najbardziej Potrzebującym może pomóc państwom członkowskim w zapewnieniu odpowiednich źródeł utrzymania dzięki odpowiednim działaniom w zakresie niedoborów żywności, bezdomności i deprivacji materialnej dzieci. Środki unijne mogą być również uzupełniane na przykład przez środki Banku Światowego, Banku Rozwoju Rady Europy oraz z grupy Europejskiego Banku Inwestycyjnego.

Komisja wzywa państwa członkowskie do:

- przeznaczenia środków w ramach polityki spójności i rozwoju obszarów wiejskich na rozwój kapitału ludzkiego, w tym zatrudnienie, włączenie społeczne, wyrównanie nierówności terytorialnych, aktywne i zdrowe starzenie się, dostępność usług społecznych, usług w zakresie edukacji i zdrowia oraz uczenia się przez całe życie. Środki te powinny być wystarczające do wdrożenia zmian strukturalnych, zgodnie z propozycjami zawartymi w zaleceniach dla poszczególnych krajów, z uwzględnieniem celów strategii „Europa 2020”. Komisja wzywa też do zagwarantowania, że interwencje finansowane z funduszy należyte uwzględniają odpowiednie zalecenia dla poszczególnych krajów i obejmują inwestycje społeczne;

Regionalnego, Europejskiego Funduszu Społecznego i Funduszu Spójności, oraz uchylającego rozporządzenie Rady (WE) nr 1083/2006.

⁷² Zob. dokument roboczy Komisji „Inwestycje społeczne w ramach Europejskiego Funduszu Społecznego”, SWD(2013) 44.

⁷³ Komisja zaproponowała priorytet inwestycyjny na rzecz gospodarki społecznej i przedsiębiorstw społecznych w regulacjach dotyczących polityki spójności na lata 2014–2020.

⁷⁴ Program na rzecz konkurencyjności przedsiębiorstw oraz na rzecz małych i średnich przedsiębiorstw

- zaspokojenia wielorakich potrzeb osób znajdujących się w niekorzystnej sytuacji, w tym osób mieszkających na zubożałych i odizolowanych obszarach, dzięki skoordynowanym działaniom w ramach funduszy ESI;
- poszukiwania sposobów uzupełnienia środków unijnych finansowaniem Banku Światowego, Banku Rozwoju Rady Europy oraz z grupy Europejskiego Banku Inwestycyjnego;
- testowania nowych rozwiązań w polityce społecznej (np. innowacji przy wykorzystaniu technologii informacyjnych i komunikacyjnych), w tym w ramach Programu Unii Europejskiej na rzecz przemian i innowacji społecznych, oraz propagowania najbardziej skutecznych rozwiązań innowacyjnych przy wykorzystaniu funduszy ESI;
- zaangażowania zainteresowanych stron, w szczególności organizacji społeczeństwa obywatelskiego powiązanych z grupami docelowymi do celów interwencji społecznych w proces planowania i wdrażania oraz ułatwienie im dostępu do funduszy.

Komisja wesprze państwa członkowskie w następujący sposób:

- opracowując do połowy 2013 r. operacyjne wytyczne dla funduszy ESI w pełni uwzględniających inwestycje społeczne; Komisja będzie monitorować wyniki realizacji programów na podstawie informacji dostarczonych przez państwa członkowskie, zgodnie z zasadami określonymi w rozporządzeniach dotyczących funduszy strukturalnych. W przypadku wątpliwości dotyczących ich realizacji Komisja podejmie dialog z państwami członkowskimi w ramach procedur określonych w zaleceniach dla poszczególnych krajów;
- umożliwiając dzielenie się wiedzą. Komisja stworzy wraz z państwami członkowskimi i Europejską Agencją na rzecz Poprawy Warunków Życia i Pracy (Eurofound) bank wiedzy umożliwiający dzielenie się doświadczeniami w zakresie polityki oraz skutecznych działań w ramach funduszy ESI. Za pomocą EFS Komisja będzie wspierać tworzenie „map ubóstwa”, pokazujących obszary znajdujące się w dużo trudniejszej sytuacji, aby zagwarantować, że interwencje mają wpływ na docelową populację;
- wspierając w ramach EFS budowanie potencjału władz krajowych i regionalnych w zakresie wdrażania skutecznej polityki, w tym promowanie przedsiębiorczości społecznej.

4. UKIERUNKOWANE INICJATYWY UE

W niniejszej sekcji Komisja przedstawia pakiet inicjatyw, o których mowa w niniejszym komunikacie i które mają kluczowe znaczenie dla zagwarantowania właściwie ukierunkowanego i zintegrowanego podejścia do inwestycji społecznych.

4.1. Środki motywujące do finansowania inwestycji społecznych

Komisja będzie nadal zapewniać wsparcie z funduszy strukturalnych, szczególnie z EFS, ale należy poszukiwać nowych instrumentów, które można wykorzystać by ułatwić konsolidację budżetów dzięki większemu zaangażowaniu finansowania prywatnego:

- *Wspieranie dostępu przedsiębiorstw społecznych do źródeł finansowania: europejskie fundusze na rzecz przedsiębiorczości społecznej*

Jak określono w Inicjatywie na rzecz przedsiębiorczości społecznej, przedsiębiorcy społeczni odgrywają kluczową rolę w propagowaniu włączenia społecznego i inwestycji w kapitał ludzki. Przedsiębiorstwa społeczne potrzebują jednak łatwiejszego dostępu do finansowania prywatnego, w celu uzyskania wsparcia ich działalności oraz umożliwienia im rozwoju. Oprócz wniosku dotyczącego funduszu wsparcia na rzecz przedsiębiorstw społecznych, w ramach Programu na rzecz przemian i innowacji społecznych, który będzie uruchomiony w 2014 r., Komisja przedstawiła również wniosek dotyczący rozporządzenia⁷⁵ ustanawiającego markę europejskiego funduszu na rzecz przedsiębiorczości społecznej, umożliwiającą inwestorom łatwe rozpoznanie funduszy, które wspierają europejskie przedsiębiorstwa społeczne, oraz dostęp do kluczowych informacji na temat funduszy na rzecz przedsiębiorczości społecznej. Proponowane rozporządzenie umożliwi usunięcie barier w pozyskiwaniu funduszy w całej Europie i ułatwi dokonywanie inwestycji oraz zwiększy ich wydajność. Ponadto Komisja opracuje metodykę służącą do pomiaru korzyści społeczno-gospodarczych płynących z działań przedsiębiorstw społecznych i zorganizuje na początku 2014 r. konferencję na wysokim szczeblu w celu rozpowszechnienia dobrych praktyk w zakresie wspierania przedsiębiorczości społecznej.

- *Poszukiwanie możliwości wykorzystania nowych instrumentów finansowych*

Innowacyjne finansowanie inwestycji społecznych z zasobów sektora prywatnego oraz sektora usług jest istotnym uzupełnieniem wysiłków sektora publicznego. Ważną rolę w tym zakresie może odegrać mikrofinansowanie. Kluczowe znaczenie dla osiągnięcia celów związanych z włączeniem społecznym i strategią „Europa 2020” jest tworzenie nowych małych przedsiębiorstw. Jedną z głównych przeszkód na drodze do tworzenia nowych przedsiębiorstw jest jednak brak dostępu do finansowania, w szczególności do mikrokredytów. Komisja zaproponowała, począwszy od 2014 r., kontynuację instrumentu mikrofinansowego Progress w ramach Programu na rzecz przemian i innowacji społecznych, o budżecie wynoszącym około 92 mln EUR. Pozwoli on na sfinansowanie budowania potencjału podmiotów udzielających mikrokredytów i ułatwi wsparcie finansowe dla osób, które chcą założyć własną małą firmę, lecz mają trudności z uzyskaniem tradycyjnego kredytu.

- *Obligacje społeczne*

Innym rozwiązaniem do rozważania są obligacje społeczne, które będą stanowiły zachętę dla prywatnych inwestorów do finansowania programów socjalnych, oferując im zwrot z sektora publicznego, jeżeli programy osiągną pozytywne skutki społeczne. Komisja będzie wspierać państwa członkowskie poprzez ułatwienie wymiany doświadczeń.

4.2. Wspieranie źródeł utrzymania na odpowiednim poziomie / Poprawa znajomości praw socjalnych

Komisja zagwarantuje wdrożenie przepisów chroniących najbardziej potrzebujących, poprawi dostęp do informacji dla konsumentów znajdujących się w trudnej sytuacji oraz dostarczy ukierunkowaną pomoc dla osób znajdujących się w trudnej sytuacji, tak aby mogły one dokonywać świadomych wyborów.

- *Zapewnienie źródeł utrzymania na odpowiednim poziomie*

⁷⁵ Wniosek ustawodawczy Komisji – „Wniosek dotyczący rozporządzenia Parlamentu Europejskiego i Rady w sprawie funduszy na rzecz przedsiębiorczości społecznej” COM(2011) 862 z dnia 7 grudnia 2011 r.

Większość państw członkowskich posiada pewnego rodzaju system płacy minimalnej. W wielu przypadkach systemy te mogłyby być jednak bardziej adekwatne. Ich poziom powinien być wystarczający by umożliwić godne życie, a jednocześnie powinien motywować i mobilizować obywateli do podjęcia pracy. Komisja będzie, w ramach Europejskiego Semestru, monitorować adekwatność wsparcia dochodów oraz wykorzystania w tym celu budżetów referencyjnych, które zostaną ustalone wspólnie z państwami członkowskimi.

- *Tworzenie możliwości administracyjnych i ich usprawnianie w celu zapewnienia punktów kompleksowej obsługi*

Model oparty na punktach kompleksowej obsługi przyczynia się do wydajności i skuteczności systemów ochrony socjalnej. Punkty te upraszczają organizację, ułatwiają realizację usług i zwiększają ich wykorzystanie. Model ten przyczynia się do poprawy dostępności przyjaznych dla użytkownika informacji, koordynacji pomiędzy różnymi szczeblami administracji i zmniejszenia obciążenia administracyjnego zarówno dla klientów, jak i dostawców. Komisja będzie wspierać państwa członkowskie poprzez ułatwianie wymiany dobrych praktyk dzięki „bankowi wiedzy” stworzonemu wraz z Europejską Agencją na rzecz Poprawy Warunków Życia i Pracy (Eurofound). Finansowanie z EFS będzie dostępne w ramach celu tematycznego „Wzmacnianie potencjału instytucjonalnego i skuteczności administracji publicznej”. Komisja będzie przykładać szczególną uwagę do tych działań podczas oceny realizacji strategii aktywnego włączenia przez państwa członkowskie.

- *Poprawa włączenia społecznego pod względem finansowym*

Rachunki płatnicze są istotnym narzędziem umożliwiającym obywatelom uczestnictwo w życiu gospodarczym i społecznym. Wynagrodzenia, świadczenia i rachunki za media są coraz częściej opłacane za pośrednictwem rachunków płatniczych. Rachunek płatniczy ma również istotne znaczenie dla dostępu do innych podstawowych usług finansowych, takich jak kredyty konsumenckie, kredyty hipoteczne, ubezpieczenia na życie, płatności elektroniczne i inwestycje. W tym celu Komisja przedstawiła wniosek dyrektywy w sprawie dostępu do zwykłych rachunków płatniczych.

- *Ochrona obywateli przed trudnościami finansowymi*

Kryzys finansowy uwidocznił szkody, jakie może wyrządzać konsumentom i kredytodawcom nieodpowiedzialne udzielanie i zaciąganie kredytów. Konsumentom dokonującym zakupów nieruchomości lub zaciągającym kredyty zabezpieczone przez ich nieruchomości muszą być odpowiednio poinformowani o zagrożeniach, a instytucje zaangażowane w te działania powinny prowadzić swoją działalność w sposób odpowiedzialny. Komisja opublikowała dokument roboczy w sprawie środków i praktyk krajowych w celu unikania zajmowania obciążonej nieruchomości⁷⁶. Ponadto Komisja dąży do wzmocnienia ochrony konsumentów dzięki zaproponowanej dyrektywie w sprawie umów kredytowych związanych z nieruchomościami mieszkalnymi. Komisja opublikuje również na początku 2013 r. badanie określające i analizujące różne techniki i najlepsze praktyki stosowane w celu wzmocnienia ochrony konsumentów. Wszystkie te inicjatywy wschodzą w skład działań prewencyjnych mających na celu złagodzenie trudności finansowych oraz przeciwdziałanie bezdomności.

- *Efektywność energetyczna*

⁷⁶ Dokument roboczy służb Komisji – „Środki i praktyki krajowe w celu unikania rozpoczęcia procedur zajmowania obciążonej nieruchomości w przypadku hipotecznych kredytów mieszkaniowych”. SEC(2011) 357 z dnia 31 marca 2011.

Nowa dyrektywa w sprawie efektywności energetycznej⁷⁷ zachęca państwa członkowskie do uwzględnienia w ich systemach krajowych wymogów ukierunkowanych na społeczeństwo oraz wzięcia pod uwagę szczególnych potrzeb osób w niekorzystnej sytuacji społecznej. Obejmuje ona również problemy związane z ubóstwem energetycznym, kwestie dotyczące inteligentnych liczników i przejrzystości informacji w rachunkach, oferując najuboższym konsumentom przejrzyste, wiarygodne i aktualne informacje na temat zużywanej przez nich energii oraz konkretne rozwiązania mające na celu obniżenie tego zużycia.

- *Poprawa dostępu obywateli do informacji*

Dostępne informacje dotyczące usług w zakresie poszukiwania pracy, świadczeń z tytułu bezrobocia, zasiłków na dzieci, opieki zdrowotnej lub stypendiów dla studentów ma zasadnicze znaczenie dla równości szans i udziału obywateli w życiu gospodarczym i społecznym. W celu ułatwienia obywatelom dostępu do takich informacji zaproponowana dyrektywa w sprawie dostępności stron internetowych instytucji sektora publicznego⁷⁸ gwarantuje pełny dostęp do pewnej liczby stron internetowych tego sektora dla wszystkich obywateli, w tym osób niepełnosprawnych i osób w podeszłym wieku. Ponadto Komisja, za pomocą przyjaznych dla użytkownika przewodników ochrony socjalnej, zapewni obywatelom bardziej dostępne informacje na temat ich praw socjalnych i ułatwi świadczenie usług umożliwiających obywatelom kontrolowanie swoich uprawnień emerytalnych. Ponadto Komisja będzie wspierać lepsze stosowanie i egzekwowanie prawa do swobodnego przemieszczania się w ramach proponowanej dyrektywy, która zostanie przedstawiona w pierwszej połowie 2013 r.

4.3. Inwestowanie w dzieci / wczesna edukacja i opieka nad dzieckiem

Dalsze rozbudowywanie systemu wczesnej edukacji i opieki nad dzieckiem jako inwestycji społecznej pomagającej w wyeliminowaniu nierówności i trudności stojących przed dziećmi, dzięki interwencji na wczesnym etapie:

- *Poprawa dostępu do opieki nad dziećmi*

Dostęp do wczesnej edukacji i opieki nad dzieckiem przynosi pozytywne skutki przez całe życie, na przykład w zakresie zapobiegania przedwczesnemu zakończeniu nauki, zwiększenia zatrudnienia i ułatwiania mobilności społecznej. Wczesna edukacja i opieka nad dzieckiem, dzięki wczesnej interwencji, pełni kluczową rolę w rozwiązywaniu problemów dzieci znajdujących się w niekorzystnej sytuacji. Jest ona ponadto konieczna do usuwania barier utrudniających rodzicom udział w rynku pracy. Zalecenie Komisji w sprawie inwestowania w dzieci wzywa do większego udostępnienia wczesnej edukacji i opieki nad dzieckiem w ramach zintegrowanej strategii, w celu poprawy możliwości dzieci i osiągnięcia celów wyznaczonych w Barcelonie. Ponadto Komisja rozpoczyna badanie w celu oceny sposobu, w jaki systemy warunkowego przekazywania środków pieniężnych mogą wspierać wczesną edukację i opiekę nad dzieckiem. Komisja Europejska zacieśnia współpracę z Organizacją Współpracy Gospodarczej i Rozwoju (OECD) w zakresie inicjatyw politycznych mających na celu poprawę jakości wczesnej edukacji i opieki nad dzieckiem i jej dostępności w całej Europie, za pomocą ustalania najlepszych praktyk.

⁷⁷ Artykuł 7 ust. 7 lit. a) i art. 10 dyrektywy Parlamentu Europejskiego i Rady 2012/27/UE w sprawie efektywności energetycznej, zmiany dyrektyw 2009/125/WE i 2010/30/UE oraz uchylenia dyrektyw 2004/8/WE i 2006/32/WE.

⁷⁸ Wniosek legislacyjny Komisji – „Wniosek dotyczący dyrektywy Parlamentu Europejskiego i Rady w sprawie dostępności stron internetowych instytucji sektora publicznego”. COM(2012) 721 final z dnia 3 grudnia 2012 r.

- *Ograniczenie zjawiska wczesnego kończenia nauki*

Uczniowie, którzy wcześniej kończą naukę, z większym prawdopodobieństwem staną się bezrobotni lub zagrożeni ubóstwem i wykluczeniem społecznym. W strategii „Europa 2020” przedstawiono cel obniżenia odsetka uczniów wcześniej kończących naukę do poziomu poniżej 10 %. 13,5 % młodych osób nadal opuszcza jednak szkołę przedwcześnie. Ograniczenie zjawiska wczesnego kończenia nauki znajduje się wśród priorytetów inwestycyjnych Europejskiego Funduszu Społecznego, z którego państwa członkowskie mogą korzystać w celu opracowania polityki zgodnej ze zintegrowaną strategią określoną w zaleceniu Rady z 2011 r.⁷⁹, obejmującej środki zapobiegawcze, środki interwencyjne i środki zmierzające do skłonienia do ponownego podjęcia nauki osób, które ją przerwały. Inicjatywy dotyczące kształcenia opartego na zasadach włączenia społecznego mogą być wspierane przez nowy program „Erasmus dla wszystkich”⁸⁰ na rzecz kształcenia, szkoleń, młodzieży i sportu, który odzwierciedla potrzebę zwiększenia inwestycji UE w dziedzinie kształcenia i szkolenia oraz ich dalszej realizacji.

5. WNIOSKI — DALSZE DZIAŁANIA

Kryzys uwypuklił zarówno współzależność pomiędzy gospodarkami UE, jak również duże zróżnicowanie w możliwościach reakcji na tę sytuację instytucji działających na rynku pracy oraz systemów opieki społecznej. Potwierdził on również rolę, jaką odgrywają polityka społeczna oraz budżet w zapewnieniu ogólnej stabilności UE. Pomimo iż polityka społeczna leży przede wszystkim w kompetencji państw członkowskich, UE wspiera i uzupełnia działania państw członkowskich.

Bardziej solidny model zarządzania gospodarczego oraz lepszy nadzór budżetowy w państwach członkowskich są już w trakcie realizacji. Towarzyszyć musi im lepszy nadzór polityki w dziedzinach dotyczących kwestii społecznych, który na przestrzeni czasu przyczynia się do zarządzania kryzysowego, amortyzacji szoku oraz zapewnienia odpowiedniego poziomu inwestycji społecznych w Europie. Kwestię tę należy również uwzględnić w trwających dyskusjach na temat społecznego wymiaru unii gospodarczej i walutowej.

Pakiet w sprawie inwestycji społecznych ma na celu reorientację polityki państw członkowskich w odniesieniu do inwestycji społecznych tam, gdzie jest to konieczne, w celu zagwarantowania adekwatności i stabilności systemów zabezpieczenia społecznego, jednocześnie łącząc te starania z jak najlepszym wykorzystaniem funduszy UE, w szczególności EFS. Komisja wzywa państwa członkowskie do realizowania działań i kierunków określonych w tym pakiecie w trzech głównych obszarach:

1. Wzmocnienie inwestycji społecznych w ramach Europejskiego Semestru

⁷⁹ Zalecenie Rady (2011/C 191/01) w sprawie polityki na rzecz ograniczenia zjawiska wczesnego kończenia nauki

⁸⁰ Komunikat Komisji – Erasmus dla Wszystkich: Program UE na rzecz kształcenia, szkolenia, młodzieży i sportu, COM(2011) 787 final z dnia 23 listopada 2011 r.

- Wzywa się państwa członkowskie do zwiększenia udziału zainteresowanych stron na wszystkich szczeblach, zwłaszcza partnerów społecznych i organizacji społeczeństwa obywatelskiego, w modernizacji polityki społecznej w ramach strategii „Europa 2020”.
- Wzywa się państwa członkowskie do uwzględnienia w swoich krajowych programach reform wytycznych dotyczących inwestycji społecznych zawartych w niniejszym pakiecie, ze szczególnym naciskiem na:
 - postępy w zwiększeniu nacisku na inwestycje społeczne w ich polityce społecznej, zwłaszcza w dziedzinach takich jak opieka nad osobami potrzebującymi, w tym opieka nad dziećmi, kształcenie, szkolenie, aktywna polityka w zakresie rynku pracy, wsparcie w zakresie mieszkalnictwa, rehabilitacja i świadczenia zdrowotne;
 - realizację zintegrowanych strategii w zakresie aktywnego włączenia, w tym poprzez opracowywanie budżetów referencyjnych, zwiększanie zakresu świadczeń i usług oraz uproszczenie systemów zabezpieczenia społecznego, na przykład poprzez punkty kompleksowej obsługi, i zapobieganie mnożeniu różnych świadczeń.
- Komisja uwzględni reformę ochrony socjalnej oraz nacisk na inwestycje społeczne i aktywne włączenie w zaleceniach dla poszczególnych krajów oraz w ramach kolejnego Europejskiego Semestru. Komisja będzie również wspierać państwa członkowskie poprzez lepsze monitorowanie wyników z pomocą Europejskiego Systemu Statystycznego, dzięki udoskonalonym i bardziej aktualnym statystykom⁸¹ dotyczącym ubóstwa i wyników polityki społecznej oraz polityki w zakresie zdrowia⁸².

2. Jak najlepsze wykorzystanie funduszy unijnych do wsparcia inwestycji społecznych

- Wzywa się państwa członkowskie, aby należycie uwzględniły inwestycje społeczne w programowaniu funduszy unijnych i EFS, szczególnie na lata 2014–2020. Obejmuje to innowacyjne podejście do finansowania i inżynierii finansowej, wyciąganie wniosków z doświadczeń, takich jak te dotyczące obligacji w dziedzinie inwestycji społecznych, mikrofinansowania i wsparcia dla przedsiębiorstw społecznych.
- Komisja będzie aktywnie wspierać państwa członkowskie w programowaniu funduszy w oparciu o wytyczne zawarte w niniejszym pakiecie i dalsze tematyczne wytyczne operacyjne np. w dziedzinie innowacji społecznych, deinstytucjonalizacji i zdrowia.

3. Usprawnienie zarządzania i sprawozdawczości

- Wzywa się państwa członkowskie, za pośrednictwem odpowiednich komitetów, do przedstawienia wniosków dotyczących wzmocnienia społecznego wymiaru strategii „Europa 2020”, powiązanych odpowiednio z istniejącymi procesami, takimi jak

⁸¹ Usprawnienie dostarczania standardowych danych SILC, dostarczanie zmiennych dotyczących deprivacji i oceny sytuacji finansowej na koniec roku referencyjnego, szybsze gromadzenie danych dotyczących miesięcznych dochodów gospodarstwa domowego, w miarę możliwości – na przestrzeni roku, oraz zbadanie możliwości opracowania rocznego modułu dotyczącego strategii dostosowawczych.

⁸² Za pomocą wskaźników zdrowotnych Wspólnoty Europejskiej (ECHI).

otwarta metoda koordynacji i udoskonalenie sprawozdawczości na temat wydajności systemów zabezpieczenia społecznego państw członkowskich. Komisja będzie udoskalać wytyczne i instrumenty nadzoru, za pomocą istniejących narzędzi makroekonomicznych i fiskalnych oraz narzędzi dotyczących zarządzania w dziedzinie zatrudnienia, w celu ograniczenia i rozwiązania problemów dotyczących różnic w polityce społecznej. Częścią tych działań będzie analiza porównawcza i monitorowanie wyników, w oparciu o przegląd sytuacji w dziedzinie ochrony socjalnej⁸³.

- Komisja będzie działać w ścisłej współpracy z państwami członkowskimi w ramach odpowiednich składów Rady, Komitetu Ochrony Socjalnej i innych właściwych komitetów, w celu wspierania opisanych działań, oraz będzie kontynuować dialog ze wszystkimi zainteresowanymi stronami, w szczególności w ramach dorocznej konwencji platformy współpracy w zakresie walki z ubóstwem i wykluczeniem społecznym.

⁸³ Dokument Rady nr 13723/12: „The Social Protection Performance Monitor” (Przegląd sytuacji w dziedzinie ochrony socjalnej) przedstawia znaczące statystycznie odchylenia roczne („tendencje społeczne wymagające szczególnej uwagi”) wobec uzgodnionych najważniejszych wskaźników w zakresie ochrony socjalnej i skutkuje nadzorem tematycznym w zakresie wspomnianych tendencji społecznych.



Brussels, 20.2.2013
C(2013) 778 final

COMMISSION RECOMMENDATION

of 20.2.2013

Investing in children: breaking the cycle of disadvantage

COMMISSION RECOMMENDATION

of 20.2.2013

Investing in children: breaking the cycle of disadvantage

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 292 thereof,

Whereas:

- (1) Respect for human dignity is a founding value of the European Union, whose aims include promoting the well-being of its people; the Union must protect the rights of the child, combat social exclusion and discrimination, promote social justice and protection;
- (2) Children¹ are more at risk of poverty or social exclusion than the overall population in a large majority of EU countries; children growing up in poverty or social exclusion are less likely than their better-off peers to do well in school, enjoy good health and realise their full potential later in life;
- (3) Preventing the transmission of disadvantage across generations is a crucial investment in Europe's future, as well as a direct contribution to the Europe 2020 Strategy for smart, sustainable and inclusive growth, with long-term benefits for children, the economy and society as a whole;
- (4) Early intervention and prevention are essential for developing more effective and efficient policies, as public expenditure addressing the consequences of child poverty and social exclusion tends to be greater than that needed for intervening at an early age;
- (5) Tackling disadvantage in early years is an important means of stepping up efforts to address poverty and social exclusion in general. Prevention is most effectively achieved through integrated strategies that combine support to parents to access the labour market with adequate income support and access to services that are essential to children's outcomes, such as quality (pre-school) education, health, housing and social services, as well as opportunities to participate and use their rights, which help children live up to their full potential and contribute to their resilience;
- (6) The most successful strategies in addressing child poverty have proved to be those underpinned by policies improving the well-being of all children, whilst giving careful consideration to children in particularly vulnerable situations;

¹ In line with the UN Convention on the Rights of the Child, children are understood in this context as persons under the age of 18.

- (7) The promotion of gender equality, gender mainstreaming and equal opportunities, as well as the fight against discrimination faced by children and their families on all grounds (particularly those related to sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation) should underpin any efforts to address child poverty and social exclusion;
- (8) The current financial and economic crisis is having a serious impact on children and families, with a rise in the proportion of those living in poverty and social exclusion in a number of countries;
- (9) Budget consolidation efforts due to growing fiscal constraints in a number of countries present significant challenges to ensure that social policies remain adequate and effective in the short as well as the long run;
- (10) More than a decade of cooperation at EU level has led to a common understanding of the determinants of child poverty through substantial work on developing appropriate monitoring indicators, identifying common challenges and successful policy approaches, which has given political momentum to the issue; subsequently, the Commission has announced the adoption of a Recommendation on Child Poverty in the Communication on the European Platform against Poverty and Social Exclusion²;
- (11) The Europe 2020 Strategy has given new impetus to efforts to address poverty and social exclusion in the EU, by setting a common European target to reduce the number of people at risk of poverty and social exclusion by at least 20 million by 2020, as well as stepping up efforts to address early school leaving. Tackling and preventing child poverty are an essential part of the EU and Member States' efforts in this respect, and form part of the European Platform against Poverty and Social Exclusion;
- (12) The current governance under the European Semester serves to ensure implementation of the relevant Country Specific Recommendations to combat child poverty and improve children's well-being;
- (13) All EU Member States have ratified the United Nations Convention on the Rights of the Child (UNCRC). The standards and principles of the UNCRC must continue to guide EU policies and actions that have an impact on the rights of the child;
- (14) By way of the June 2012 Social Protection Committee advisory report³ and key messages, as well as the October 2012 EPSCO Council Conclusions 'Preventing and tackling child poverty and social exclusion and promoting children's well-being'⁴, Member States reaffirmed their commitment and welcomed the Commission's initiative to adopt a Recommendation on the issue;

² COM(2010) 758 final.

³ Social Protection Committee, SPC advisory report to the European Commission on tackling and preventing child poverty, promoting child well-being, 27 June 2012.

⁴ Preventing and tackling child poverty and social exclusion and promoting children's well-being, EPSCO Council Conclusions, 4 October 2012, 14437/12.

- (15) Various EU policies have addressed issues linked to child poverty and the inter-generational transmission of disadvantage, in particular in the fields of education and training, health, children's rights and gender equality⁵;
- (16) While policies addressing child poverty are primarily the competence of Member States, a common European framework can strengthen synergies across relevant policy areas, help Member States review their policies and learn from each other's experiences in improving policy efficiency and effectiveness through innovative approaches, whilst taking into account the different situations and needs at local, regional and national level;
- (17) In the context of the upcoming Multiannual Financial Framework, such guidance can also provide a basis for further cooperation and a focus for using relevant financial instruments, particularly the Structural Funds, to deliver on the proposed objective of 'Promoting social inclusion and combating poverty'.

RECOMMENDS THAT MEMBER STATES: Organise and implement policies to address child poverty and social exclusion, promoting children's well-being, through multi-dimensional strategies, in accordance with the following guidelines:

1. BE GUIDED BY THE FOLLOWING HORIZONTAL PRINCIPLES

- Tackle child poverty and social exclusion through integrated strategies that go beyond ensuring children's material security and promote equal opportunities so that all children can realise their full potential;
- Address child poverty and social exclusion from a children's rights approach, in particular by referring to the relevant provisions of the Treaty on the European Union, the Charter of Fundamental Rights of the European Union and the UN Convention on the Rights of the Child, making sure that these rights are respected, protected and fulfilled;
- Always take the child's best interests as a primary consideration and recognise children as independent rights-holders, whilst fully acknowledging the importance of supporting families as primary carers;
- Maintain an appropriate balance between universal policies, aimed at promoting the well-being of all children, and targeted approaches, aimed at supporting the most disadvantaged;
- Ensure a focus on children who face an increased risk due to multiple disadvantage such as Roma children, some migrant or ethnic minority children, children with special needs or disabilities, children in alternative care and street children, children

⁵ See in particular: An updated strategic framework for European cooperation in education and training, COM(2008) 865 final, Solidarity in Health: reducing health inequalities in the EU, COM(2009) 567 final, An EU Agenda for the Rights of the Child, COM(2011) 60 final, Strategy for equality between women and men 2010-2015, COM(2010) 491 final.

of imprisoned parents, as well as children within households at particular risk of poverty, such as single parent or large families;

- Sustain investment in children and families, allowing for policy continuity and long-term planning; assess how policy reforms affect the most disadvantaged and take steps to mitigate any adverse effects.

2. DEVELOP INTEGRATED STRATEGIES, BASED ON THREE KEY PILLARS

2.1. Access to adequate resources

Support parents' participation in the labour market — Acknowledge the strong link between parents' participation in the labour market and children's living conditions, and in accordance with the principles outlined in the Commission Recommendation on Active Inclusion⁶ and the Barcelona targets⁷, take all possible measures to support parents' participation in the labour market, in particular for those at a distance from the labour market and in households at particular risk:

- Make sure that work 'pays' by identifying and tackling the specific disincentives parents face when entering, remaining or progressing in the labour market, including those related to the design and interaction of tax and benefits systems;
- Support the employability and participation of single parents and second earners in paid work, promoting gender equality in the labour market and in family responsibilities;
- Provide enhanced support to parents' reintegration into the labour market following parental leave through training measures and job search support, focusing specifically on those at particular risk;
- Intensify efforts to ensure that all families, including those in vulnerable situations and living in disadvantaged areas, have effective access to affordable, quality early childhood education and care;
- Adapt the design and eligibility criteria of childcare services to increasingly diverse working patterns, thereby helping parents maintain their work commitments or find a job, whilst keeping a strong focus on the child's best interests;
- Promote quality, inclusive employment and a working environment that enables parents to balance their work and parenting roles on an equal footing, including through parental leave, workplace support and flexible working arrangements.

⁶ Commission Recommendation on the active inclusion of people excluded from the labour market (2008/867/EC).

⁷ Presidency conclusions, Barcelona European Council, 15-16 March 2002, SN 100/1/02 REV 1.

Provide for adequate living standards through a combination of benefits — Make it possible for children to enjoy adequate living standards that are compatible with a life in dignity, through an optimal combination of cash and in-kind benefits:

- Support family incomes through adequate, coherent and efficient benefits, including fiscal incentives, family and child benefits, housing benefits and minimum income schemes;
- Complement cash income support schemes with in-kind benefits related in particular to nutrition, childcare, education, health, housing, transport and access to sports or socio-cultural activities;
- Ensure that the design of and eligibility to financial support for children reflects the development of living arrangements and provides adequate redistribution across income groups;
- Create more effective access to the benefits to which children or their families are entitled by facilitating easy take up and developing beneficiary outreach services;
- Deliver means-tested or other targeted benefits in a way that avoids stigmatisation, differentiates between children's needs and reduces the risk of poverty traps whilst avoiding the creation of disincentives to work for second earners and single parents;
- Use discretion when making family benefits conditional on parenting behaviour or children's school attendance and assess the potential negative impact of such measures;
- Set up regular and responsive delivery mechanisms that provide maximum coverage and benefit children most, such as advance payments.

2.2. Access to affordable quality services

Reduce inequality at a young age by investing in early childhood education and care — Further develop the social inclusion and development potential of early childhood education and care (ECEC), using it as a social investment to address inequality and challenges faced by disadvantaged children through early intervention:

- Provide access to high-quality, inclusive early childhood education and care ; ensure its affordability and adapt provision to the needs of families;
- Incentivise the participation of children from a disadvantaged background (especially those below the age of three years), regardless of their parents' labour market situation, whilst avoiding stigmatisation and segregation;
- Support parents in their role as the main educators of their own children during the early years and encourage ECEC services to work closely with parents and

community actors involved in the child's upbringing (such as health and parenting support services);

- Raise parents' awareness of the benefits of participation in ECEC programmes for their children and themselves; Use ECEC as an early-warning system to identify family or school-related physical or psychological problems, special needs or abuse.

Improve education systems' impact on equal opportunities — *Increase the capacity of education systems to break the cycle of disadvantage, ensuring that all children can benefit from inclusive high quality education that promotes their emotional, social, cognitive and physical development:*

- Provide for the inclusion of all learners, where necessary by targeting resources and opportunities towards the more disadvantaged, and adequately monitor results;
- Recognise and address spatial disparities in the availability and quality of educational provision and in educational outcomes; foster desegregation policies that strengthen comprehensive schooling;
- Create an inclusive learning environment by strengthening the link between schools and parents, and provide if necessary personalised support to compensate for specific disadvantages, through for instance training for parents of migrant and ethnic minority children;
- Address barriers which stop or seriously hinder children from attending or completing school (such as additional financial fees in compulsory education) by providing targeted educational aid in a supportive learning environment;
- Improve the performance of students with low basic skills by reinforcing the learning of literacy, numeracy and basic maths and science, and ensuring early detection of low achievers;
- Develop and implement comprehensive policies to reduce early school leaving which encompass prevention, intervention and compensation measures; ensure that these policies include measures for those at risk of early school leaving;
- Strengthen equality legislation and guarantee the most marginalised learners the basic right to receive a quality minimum qualification;
- Revise and strengthen the professional profile of all teaching professions and prepare teachers for social diversity; deploy special cultural mediators and role models to facilitate the integration of Roma and children with an immigrant background.

Improve the responsiveness of health systems to address the needs of disadvantaged children — *Ensure that all children can make full use of their universal right to health care, including through disease prevention and health promotion as well as access to quality health services:*

- Address the obstacles to accessing healthcare faced by children and families in vulnerable situations, including costs, cultural and linguistic barriers, lack of information; improve the training of health care providers in this respect;
- Invest in prevention particularly during early childhood years, by putting in place comprehensive policies that combine nutrition, health, education and social measures;
- Tackle the social gradient in unhealthy lifestyles and substance abuse by giving all children access to balanced diets and physical activity;
- Devote special attention to children with disabilities or mental health problems, undocumented or non-registered children, pregnant teenagers and children from families with a history of substance abuse.

Provide children with a safe, adequate housing and living environment — *Allow children to live and grow up in a safe, healthy and child-friendly environment that supports their development and learning needs:*

- Make it possible for families with children to live in affordable, quality housing (including social housing), address situations of exposure to environmental hazards, overcrowding and energy poverty;
- Support families and children at risk of homelessness by avoiding evictions, unnecessary moves, separation from families as well as providing temporary shelter and long-term housing solutions;
- Pay attention to children’s best interests in local planning; avoid ‘ghettoisation’ and segregation by promoting a social mix in housing as well as adequate access to public transport;
- Reduce children’s harmful exposure to a deteriorating living and social environment to prevent them from falling victim to violence and abuse.

Enhance family support and the quality of alternative care settings — *Strengthen child protection and social services in the field of prevention; help families develop parenting skills in a non-stigmatising way, whilst ensuring that children removed from parental care grow up in an environment that meets their needs:*

- Ensure that poverty is never the only justification for removing a child from parental care; aim at enabling children to remain in or return to the care of their parents by, for example, tackling the family’s material deprivation;
- Ensure adequate gate-keeping to prevent children being placed in institutions and provide for regular reviews in the event of such placements;

- Stop the expansion of institutional care settings for children without parental care; promote quality, community-based care and foster care within family settings instead, where children’s voice is given due consideration;
- Ensure that children without parental care have access to quality services (both mainstream and specific services) related to their health, education, employment, social assistance, security and housing situation, including during their transition to adulthood;
- Provide appropriate support to children left behind when one or both parents migrate to another country to work, as well as to their replacement carers.

2.3. Children’s right to participate

Support the participation of all children in play, recreation, sport and cultural activities — Acknowledge the influence children have over their own well-being and their resilience in overcoming adverse situations, in particular by providing opportunities to participate in informal learning activities that take place outside the home and after regular school hours:

- Address barriers such as cost, access and cultural differences to ensure that all children can participate in play, recreation, sport and cultural activities outside school;
- Provide safe spaces in children’s environment and support disadvantaged communities by means of specific incentives;
- Encourage schools, community actors and local authorities to create better after-school activities and facilities for all children, regardless of their parents’ work situation and background;
- Enable all families to participate in social activities that boost their parental skills and foster positive family communication;
- Promote approaches to participation that build on the potential for community volunteering and foster solidarity between generations.

Put in place mechanisms that promote children’s participation in decision making that affects their lives — Enable and encourage children to express informed views, ensuring that those views are given due weight and are reflected in the main decisions affecting them:

- Use and further develop existing tools to involve children in the running of services such as care, healthcare and education, as well as to consult them on relevant policy planning through mechanisms adapted to their age;
- Support the involvement of all children in existing participation structures; reach out to and support the participation of children from disadvantaged backgrounds;

- Encourage professionals working with and for children to actively involve them, raising awareness of related rights and obligations;
- Implement the child’s right to be heard in all justice-related decisions and promote child-friendly justice, in particular by giving children effective access to court and judicial proceedings.

3. FURTHER DEVELOP NECESSARY GOVERNANCE, IMPLEMENTATION AND MONITORING ARRANGEMENTS

Strengthen synergies across sectors and improve governance arrangements — Ensure that policies effectively address child poverty and social exclusion through comprehensive design and enhance coordination between key actors:

- Develop regular and systematic links between policy areas of high relevance to the social inclusion of children and strengthen synergies between key players, particularly in the fields of education, employment, health, equality and children’s rights;
- Work towards mainstreaming children’s policies and rights into key policies through, for example, specific institutional arrangements;
- Promote close cooperation and regular dialogue between public authorities at all levels, social partners, local communities and civil society organisations;
- Support and further develop the involvement of children, including in the implementation of the present Recommendation.

Strengthen the use of evidence-based approaches — Strengthen evidence-based policy development and social policy innovation, making sure to take due account of the potential impact of policies on children:

- Make full use of existing statistics and administrative data to monitor the impact of policies on children and their families; reinforce statistical capacity (including by disaggregating by gender) where needed and feasible, particularly concerning child deprivation, access to quality and affordable childcare, children’s health and the situation of the most vulnerable children;
- Improve the timeliness of data availability to monitor the situation of children, and promote the use of methods and models such as micro-simulation to support a more systematic ex ante assessment of the potential impact of policies on children;
- Strengthen links between the policy and research community and test relevant policy innovations; encourage evidence-based evaluation of programme outcomes, including in the long term through tools such as longitudinal surveys; promote visibility and sharing of results;

- Promote the exchange of good practice and knowledge, the roll-out of tried and tested intervention models, measures to foster solidarity in the wider community and empower local communities to work together;
- Evaluate the impact of temporary policies introduced in response to the economic crisis before deciding to make these policies part of structural reforms.

4. MAKE FULL USE OF RELEVANT EU INSTRUMENTS

Address child poverty and social exclusion as a key issue within the Europe 2020 Strategy
 — *Mobilise the range of tools and indicators available within the Europe 2020 Strategy to give new impetus to joint efforts to address child poverty and social exclusion:*

- Firmly place child poverty and social exclusion as key issues in the Europe 2020 Strategy and National Reform Programmes, as part of the overall effort to reduce poverty and social exclusion, taking into account relevant Country Specific Recommendations adopted by the European Council;
- Consider, where appropriate, the added value of setting national targets for reducing child poverty and social exclusion, taking national specificities into account;
- Fully exploit the tools provided by the Europe 2020 Strategy and the Social Open Method of Coordination to improve the monitoring and evaluation of policies addressing child poverty and well-being, making full use of the proposed indicator-based monitoring framework annexed to the present Recommendation;
- Strengthen synergies with relevant EU policies, in particular in the fields of education, health, gender equality and children’s rights.

Mobilise relevant EU financial instruments — *Make appropriate use of the opportunities provided by EU financial instruments to support the policy priorities outlined above:*

- Support the development of more evidence-based policies and social innovation through the Programme for Social Change and Innovation, the European Social Fund and Horizon 2020, and use these programmes to test, evaluate and scale up possible policy innovations;
- Make full use of the Fund for European Aid to the Most Deprived (addressing children’s food and material deprivation), the European School Fruit and Milk Schemes (providing products with positive nutritional value and encouraging good eating habits) and the Erasmus for All Programme (promoting children’s access to education, informal learning and sport);
- Exploit opportunities provided by the Structural Funds to support children and families when drawing up the European Social Fund and the European Regional Development Fund Operational Programmes 2014-2020, in line with Country Specific Recommendations;

- Make appropriate use of thematic objectives related to promoting employment and supporting labour mobility, promoting social inclusion and combating poverty, investing in education, skills and lifelong learning as well as the relevant investment priorities within them. These include in particular early childhood education; reducing early school leaving; reconciliation between work and private life; access to services, including health care and social services; community-led local development strategies; support to the regeneration of deprived areas and transition from institutional to community-based services;
- To ensure that 2014-2020 Structural Funds interventions are effective, pursue evidence-based strategies to reduce early school leaving, involving relevant stakeholders and measures to support the transition from institutional to community-based care;
- Promote partnership in the programming of and access to Structural Funds by involving relevant stakeholders at national, regional and local levels, in particular the relevant public authorities, social partners and non-governmental organisations, in order to mobilise action to combat child poverty.

Done at Brussels, 20.2.2013

For the Commission

Member of the Commission

ANNEX

Indicator-based monitoring framework

The proposed monitoring framework highlights indicators that are relevant for monitoring the Recommendation's implementation. Proposals for further development are highlighted in the annexes to the Social Investment Package.

Overall objective of combating child poverty and social exclusion and promoting child well-being

Europe 2020	Definition	Breakdowns	Source	primary/ secondary/context ⁸	Comments
At risk of poverty or social exclusion for children (breakdown of the Europe 2020 poverty and social exclusion headline target)	The sum of children who live in a household which is at risk of poverty and/or severely materially deprived and/or a household with very low work intensity (for the definition of these 3 indicators, see below)	By age (0-17, 0-5, 6-11, 12-17)	Eurostat - EU-SILC	primary	Comparison with the working-age population (18-64) and the elderly population (65+) is recommended
Indicator	Definition	Breakdowns	Source	primary/ secondary/context	Comments
At-risk-of-poverty rate for children (to be analysed together with the value of	Share of children living in a household with an equivalised disposable income below 60% of the	By age (0-17, 0-5, 6-11, 12-17) and	Eurostat - EU-SILC	primary	Comparison with the working-age population (18-64) and the elderly

⁸ Primary indicators are lead indicators which cover the broad fields that have been considered the most important outcome elements whereas secondary indicators support the lead indicators by describing in greater detail the nature of the problem or by describing other dimensions of the problem. Context indicators provide additional detail and contextual information: the list proposed is indicative and leaves room for other background information considered relevant to better frame and understand the national context. .

the poverty threshold in PPS for a household consisting of 2 adults and 2 children aged below 14)	national median equivalised disposable income	household type			population (65+) is recommended
Severe material deprivation rate	Proportion of children who live in a household whose living conditions are severely constrained by a lack of resources, i.e. it experience at least 4 out of 9 of the following deprivation items: cannot afford i) to pay rent or utility bills, ii) to keep the home adequately warm, iii) to pay unexpected expenses, iv) to eat meat, fish or a protein equivalent every second day, v) a week's holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone.	By age (0-17, 0-5, 6-11, 12-17)	Eurostat - EU-SILC	primary	Comparison with the working-age population (18-64) and the elderly population (65+) is recommended
Share of children living in very low work intensity households	Share of children living in a household where working-age adults (18-59) have worked less than 20% of their total work potential during the past year (i.e. during the income reference period)	By age (0-17, 0-5, 6-11, 12-17)	Eurostat - EU-SILC	primary	Comparison with the working-age population (18-64) and the elderly population (65+) is recommended
Child deprivation indicator	Under discussion		Eurostat -EU-SILC	n.a.	Under development
Dispersion of child poverty risk around the poverty risk threshold: At-risk-of-poverty rate calculated with 50% and 70% thresholds	Share of children living in a household with an equivalised disposable income below 50% and below 70% of the national equivalised median income	By age (0-17, 0-5, 6-11, 12-17)	Eurostat - EU-SILC	secondary	Comparison with the working-age population (18-64) and the elderly population (65+) is recommended

Persistent at-risk-of-poverty rate for children	Share of children living in a household with an equivalised disposable income below the poverty threshold in the current year and in at least two of the preceding 3 years	0-17	Eurostat - EU-SILC (longitudinal)	secondary	Comparison with the working-age population (18-64) and the elderly population (65+) is recommended
At-risk-of-poverty rate anchored at a fixed moment in time for children	Share of children living in households with an equivalised disposable income below 60% of the national median equivalised disposable income, where the threshold is anchored at a fixed moment in time	0-17	Eurostat - EU-SILC	context	Comparison with the working-age population (18-64) and the elderly population (65+) is recommended

Access to adequate resources

Indicator	Definition	Breakdowns	Source	primary/ secondary/context	Comments
In-work poverty rate of people living in households with dependent children	Share of individuals (with dependent children) who are defined as in work and have an income below the poverty threshold (60% of the national median equivalised disposable income)	By age (0-17, 18-64, 0-64); by household type (single parents, two adults with dependent children)	Eurostat - EU-SILC	primary	
At-risk-of-poverty rate for children by work intensity of the household	Share of children living in households with an equivalised disposable income below 60% of the national median equivalised disposable income according to the work intensity of the household	0-17, work intensity of the household (very high [0.85 – 1], high [0.55 – 0.85], medium	Eurostat - EU-SILC	primary	

		[0.45 – 0.55], low [0.2 – 0.45])			
At-risk-of-poverty rate for children in households at work	Share of children living in households with an income below the poverty threshold (60% of the national median equivalised disposable income) and with a work intensity above 0.2	By household type	Eurostat - EU-SILC	primary	
Relative median poverty gap for children	Difference between the median equivalised income of persons below the at-risk-of poverty threshold and the at-risk-of poverty threshold, expressed as a percentage of the at-risk-of poverty threshold	0-17	Eurostat - EU-SILC	primary	Comparison with the working-age population (18-64) and the elderly population (65+) is recommended
Child care	Children cared for (by formal arrangements ⁹ other than the family) as a proportion of all children in the same age group	Less than 3 years, between 3 years and mandatory school age; less than 30h, 30h or more a week	Eurostat - EU-SILC	secondary	Relevance of breakdown by income quintile to be assessed
Employment impact of parenthood	Difference in percentage points (pp) between – employment rate of people aged 20-49 living in households in which there are no children aged 0-6 and	Total, by gender	Eurostat - LFS	context	Looking at children aged 0-3 and 3-6 separately is recommended

⁹ Formal arrangements are defined as the following services: pre-school or equivalent, compulsory education, centre-based services outside school hours, a collective crèche or another day-care centre, including family day-care and professional certified childminders. The care provided by family members, neighbours or non-certified childminders is therefore not included under this definition of ‘formal arrangements’.

	– employment rate of people aged 20-49 living in households in which there is at least one child aged 0-6				
Part-time employment due to care responsibilities	Persons employed part-time because of looking after children or incapacitated adults, as a percentage of total employed persons	Total, by gender	Eurostat - LFS	context	
Impact of social transfers (other than pensions) in reducing child poverty	Difference between the children at-risk-of poverty rate before and after social transfers (excluding pensions)		Eurostat - EU-SILC	secondary	Comparison with the working-age population (18-64) and the elderly population (65+) is recommended
Housing cost overburden	Percentage of the population living in a household where total housing costs (net of housing allowances) represent more than 40% of the total disposable household income (net of housing allowances)	By age (0-17, 0-5, 6-11, 12-17), poverty status (above or below the at-risk-of-poverty threshold)	Eurostat - EU-SILC	secondary	Comparison with the working-age population (18-64) and the elderly population (65+) is recommended

Access to quality services

Indicator	Definition	Breakdowns	Source	primary/ secondary	Comments
Early school education	Share of children between age 4 and the start of compulsory education who participate in early childhood education	By gender	UOE ¹⁰	primary	
Proficiency in reading, maths and science	Share of 15-year olds who score 1 or below (on a scale from 1 (lowest) to 5 (highest)) in PISA tests	By parental background (educational attainment, country of birth)	OECD-PISA ¹¹	primary	No data for CY and MT are available in current data collections.
Young people not in employment, education or training (NEET) rate	Young people not in employment, education or training (NEET) rate	By gender, 15-19	Eurostat - LFS	primary	
Early leavers from education and training	Population aged 18-24 years with lower secondary education at most and not in further education or training	By gender, highest educational level completed	Eurostat - LFS	secondary	
Self-declared unmet need for medical care	Proportion of people aged 16-25 reporting not having accessed medical services due to cost,		Eurostat - EU-		

¹⁰ UNESCO/OECD/EUROSTAT database on education statistics.

¹¹ http://www.oecd.org/statisticsdata/03381.en_2649_35845621_1_119656_1_1_1.00.html.

	distance or waiting lists		SILC		
Infant mortality	Ratio of the number of deaths of children under one year of age during the year to the number of live births in that year (expressed per 1 000 live births)	By SES of parents (under development)	Eurostat	primary	
Child mortality 1-14 years	Death rate per 100 000 population		Eurostat		
Low birth weight	Weight at birth of less than 2500 grams (5.5 pounds)		WHO-OECD	primary	
Vaccination coverage	% of infants who, on reaching their 1st birthday in the given calendar year, have been fully vaccinated against pertussis (whooping cough), diphtheria, tetanus (DPT) and poliomyelitis. And % of infants who, on reaching their 2nd birthday in the given calendar year, have been fully vaccinated against measles, mumps and rubella (MMR)		WHO	context	
Obesity	Young people aged 15-24 with a body mass index of 30 or above	By gender and SES of parents	Eurostat - EHIS ¹²	context	
Regular smokers	Share of daily cigarette smokers in the population aged 15-24	By gender and SES of parents	Eurostat - EHIS	context	

¹² EHIS is the 'European Health Interview Survey'.

Mental health	Young people (15-24) with depressive syndrome	By gender	Eurostat - EHS	context	Under development
Causes of death of young people — suicide	Deaths caused by suicide per 100 000 inhabitants aged 15-24	By gender	Eurostat - Causes of death statistics	context	
Housing deprivation	<p>Percentage of the population deprived of each housing deprivation item. The items considered are:</p> <p>1) leaking roof, damp walls/floors/foundation, or rot in window frames or floor; 2) lack of bath or shower in the dwelling 3) lack of indoor flushing toilet for sole use of the household; 4) problems with the dwelling: too dark, not enough light</p>	By age (0-17, 0-5, 6-11, 12-17), at-risk-of-poverty status (i.e. above or below the threshold)	Eurostat - EU-SILC	primary	
Overcrowding	<p>Percentage of the population living in an overcrowded household. A person is considered to be living in an overcrowded household if the household does not have at its disposal a minimum number of rooms equal to:</p> <ul style="list-style-type: none"> - one room for the household; - one room for each couple; - one room for each single person aged 18+; - one room for two single people of the same sex between 12 and 17 years of age; - one room for each single person of different sex between 12 and 17 years of age; 	By age (0-17, 0-5, 6-11, 12-17), at-risk-of-poverty status (above or below the threshold)	Eurostat -EU - SILC	primary	

	- one room for two people under 12 years of age.				
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I/II

Social Investment Package

COMMISSION STAFF WORKING DOCUMENT

Evidence on Demographic and Social Trends Social Policies' Contribution to Inclusion, Employment and the Economy

Accompanying the document

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020

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EXECUTIVE SUMMARY

This Staff Working Document (SWD) provides the Social Investment Package's underpinning evidence on the long-term trends and short-term social challenges that Europe is facing.

The document demonstrates that large differences exist between Member States, but that they face similar long-term challenges. Demographic changes, an ageing population and decreased fertility are leading to a smaller working-age population and increasing dependency ratios. This threatens the solidity of financing for social protection budgets, which are generally financed through labour taxation. At the same time, the economic, social and financial crisis has aggravated this situation. Further, it has increased (long-term) unemployment, social exclusion and poverty across Europe.

This SWD highlights the three functions of social policy expenditure — social investment, social protection and economic stabilisation — and shows how they complement and reinforce each other. It analyses the size and structure of these budgets, their efficiency and their adequacy. In doing so, it makes the case that the size, structure and design of social policies all matter for the performance of welfare systems. Expenditure on social policies that focus on social investment is shown to be linked with greater returns to employment. To help illustrate this point, the paper also provides detailed analysis of social policy budgets and their financing before and after the crisis.

The SWD focuses further on the risks people face at different stages of their life courses, and points out that a difficulty experienced at one stage of a person's life can often interact with other difficulties later, and may exacerbate them. Successful policy interventions mitigate disadvantage and prevent it from becoming compounded. Often it is more efficient and effective to prevent than to cure, better to anticipate and prepare, than it is to repair. Evidence in this document shows that certain policies with a focus on prevention and on developing human capital can result in considerable savings later on. This knowledge specifically builds a case for early child education and care (ECEC) and active inclusion measures.

Lastly, the paper notes the main obstacles to obtaining timely and comprehensive social statistics. These jeopardise the way Member States can design their policy interventions, how those efforts are monitored in the European Semester and how EU funding is directed. In response to the issue, it sets out the way forward to improve the availability and timeliness of good social data.

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1. INTRODUCTION

European societies have been changing and will continue to change profoundly and rapidly in a number of interlinked areas with major implications for social outcomes and thus for social policy. These areas include demography, family structure, employment, poverty and social inclusion. At the same time the social policy responses and programmes have themselves been undergoing reform in response to economic and social change. The interaction of all of these defines the context for future social policy-making. Social developments in the European Union are also increasingly influenced by the global economy. Many countries outside the EU are experiencing similar challenges, and are engaging in efforts to extend social protection, particularly in emerging economies.

Demographic changes, an ageing population and decreased fertility mean fewer people of working age and increasing dependency ratios. Though a longer life and better health are of course intrinsically desirable, a smaller population of working age relative to the elderly will not only impact the design of Member States' health systems, but will also **threaten the solidity of financing for social protection budgets**, which are generally financed through labour taxation. Meanwhile, changes in family sizes and structures have led to weaker support systems, as social protection models have failed to adapt. **The workforce will become increasingly diverse as the population of working age shrinks.** Member States are introducing measures to enable more women, older people and non-EU nationals to join the labour market. In a very positive development, workers are increasingly mobile, but this sometimes creates problems as children and older people are left without family support.

In the decade before the crisis, economic and employment growth in general improved overall living standards. Many governments were able to devote more resources to social policy intervention. However **inequalities often grew, so poverty and social exclusion remained a major issue in most EU countries.** This included people in employment, though the pattern was very uneven across Europe. **The economic crisis has exacerbated economic and social pressures.** Recent data¹ point to higher levels and deeper forms of poverty and social exclusion. The proportion of people at risk of poverty or social exclusion has risen in a number of Member States since 2008.

The crisis has also brought about **increasing divergence between Member States and between regions of the EU.** Unemployment and poverty are major issues in most EU countries, but there are substantial differences among them. The risks of falling into and the chances of getting out of poverty also vary across Member States, and significant differences can also be observed in terms of efficiency of spending when it comes to poverty reduction.² The structure of employment across the EU also continues to become more polarised between high-income and low-income jobs, resulting in increases in inequality and thus in relative poverty. Not only do these trends run counter to European values of fairness and dignity for all, they also pose a threat to our economy, as poverty and social exclusion bring with them significant social and economic costs.

1 European Commission (2012) *Draft joint employment report*.

2 European Commission (2012) *Employment and social developments in Europe 2012*.

Some Member States have sought to confront the long- and short-term challenges with reforms to their social models, changing both the sizes and the structures of their social protection systems. Those that have been most successful in meeting these challenges are those that have maintained adequate social protection systems, reformed their labour markets and adopted policies strongly emphasising social investment, which seeks to empower individuals by facilitating the development of their human capital. **These social investment policies reinforce social policies that protect and stabilise** by addressing some of the causes of disadvantage and giving people tools with which to improve their social situations. Education and training in particular play a key role in breaking the intergenerational transmission of poverty and improving people's outcomes.³ Measures to reform labour markets to make them more inclusive can also improve individuals' opportunities to make best use of their skills.

This paper looks at current social trends and challenges that the EU is facing in greater detail, and outlines how these have affected poverty and social exclusion. It puts a strong focus on the specific risks people experience at different stages of their life courses, and shows that a difficulty experienced at one stage of a person's life can often interact with other difficulties later, and may exacerbate them. **Social policy interventions, especially those with a social investment focus, may help to mitigate disadvantage and prevent it from becoming compounded.** Such interventions take various forms, such as early child education and care (ECEC), up-skilling opportunities, and inclusive labour market measures.

To help illustrate this point, the paper also provides detailed analysis of social policy budgets and their financing before and after the crisis. It discusses the three functions of social policy expenditure — social investment, social protection and economic stabilisation. It shows how these functions complement and reinforce each other. It then analyses the size and structure of these budgets, their efficiency and their adequacy. In doing so, it highlights **that it is not only different levels of social policy expenditure, but also different types of expenditure, that affect social outcomes** — among other factors. Expenditure on social policies that focus on social investment is shown to be linked with greater returns to employment. It is also shown that **social policy interventions to tackle disadvantage throughout the course of life** appear to yield the highest returns if started as early in life as possible.

Finally, the paper notes the main obstacles to obtaining timely and comprehensive social statistics, which may impede the ability to take stock of and compare the living conditions of people across the EU, identifying those most excluded from society and monitoring the full impact of social policies. **Improved monitoring will help Member States better target their policy interventions, which will help them improve delivery on the Europe 2020 employment, education and poverty targets. It will also better orient the direction of EU funding.**

2. THE STRUCTURE OF SOCIAL PROTECTION BUDGETS

Following Musgrave's classical framework,⁴ which defines the three main functions of public intervention in the economy as stabilisation (aimed at securing economic stabilisation, in particular of GDP but also of employment and price levels), distribution

3 European Commission Communication - Rethinking Education: Investing in skills for better socio-economic outcomes. COM(2012) 669 final

4 Musgrave, R. A. (1959) *The Theory of Public Finance: A Study in Public Economy*.

(aimed at securing adjustments in the distribution of income and wealth, not least an equitable distribution of incomes) and resource allocation (aimed at securing adjustments in the allocation of resources and in particular the efficient use of resources), social policies can be considered according to the three functions of social investment (primarily linked to the allocation function), social protection (primarily linked to the distribution function, considered in a very broad approach covering in particular distribution of incomes over the life course) and stabilisation of the economy.

Investment function. A key function of social budgets is to strengthen people's skills and capacities, in order to prepare them for confronting or preventing risks over the life course and improving their future prospects. In other words, social policies show their effects not only immediately at the time they are implemented, but also have lasting impacts: with the characteristics of an investment by offering some returns over time, for instance in terms of increased employment or labour incomes, thus enhancing growth. In particular, social policies 'prepare' individuals, families and societies to adapt to various risks and transformations (such as changing career patterns, new working conditions or an ageing population, cf. Vandenbroucke et al., 2011)⁵ and can thus reduce the need for responses intended to 'repair' adverse situations.

For example, good quality childcare and early childhood education have been proven to have a strong impact on improving children's chances of finishing their studies and finding employment, or of avoiding extreme risks such as delinquency and drug abuse. Preventive health care 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 careers. Promoting a healthy lifestyle, rehabilitation and improving access to assistive devices enable older people to lead independent lives as they become frail and develop functional limitations.

Box — A growing focus on a social investment approach

The social investment approach stresses the case for considering certain parts of employment and social policies — and possibly other policy areas, such as education — as entailing investments improving prospects for future employment and social participation, together with more social cohesion and stability (Van Kersbergen and Hemerijck, 2012), thus stressing the life course dimension of social policies and their long-term benefits for society.

The focus on social policies as an investment in developing human capital has been gaining ground in Europe since the early 1990s, in particular with the work of Esping Andersen (1992).⁶ The last two decades have recently been analysed as a period of emergence of a 'Social Investment State' in Europe (Van Kersbergen and Hemerijck 2012),⁷ while the roots of the social investment approach have been located in work on social protection as a productive factor developed in Sweden by Alva and Gunnar Myrdal in the 1930s (Morel, Palier and Palme 2012).⁸ It has recently been argued that deficits in social investment in some Member States can contribute to explaining the current disequilibria observed in EMU (Hemerijck and Vandenbroucke, 2012).

5 Vandenbroucke, F. and Vleminckx, K. (2011) 'Disappointing poverty trends: is the social investment state to blame? An exercise in soul searching for policy makers', CSB Working paper, No 11/01.

6 Esping Andersen, G. (1992) 'The making of a social democratic welfare state', in M. Misgeld and L. Amark (eds), *Creating social democracy, a century of the Social Democratic Labor Party in Sweden*, The Pennsylvania State University Press.

7 Van Kersbergen, K. and Hemerijck, A. (2012) 'Two decades of change in Europe: the emergence of the social investment state', *Journal of Social Policy*, Vol. 41, Issue 03. See also Hemerijck (2012). *Changing welfare states*, Oxford.

8 Morel, N., Palier, B. and Palme, J. (2012) 'Towards a social investment welfare State? Ideas, policies and challenges' The Policy Press, University of Bristol.

Protection function. Social budgets also have the function of supporting and protecting people when they have to deal with the reality of some social risk. For instance, social insurance pools risks and redistributes contribution revenues in benefits to those affected by those risks.

Typically, unemployment benefits provide people with an income as they look for jobs, and social assistance does the same if they are unemployed for a prolonged period, while it also supports those who for one reason or another cannot go out to work. Social protection provides insurance against social risks over the course of life (e.g. health and long-term care, sickness benefits, disability and survivors' pensions) and also redistributes income from those actively in work to those who have retired (e.g., through pensions).

Stabilisation function. In periods of economic downturn, the need for social intervention rises rapidly, while receipts also automatically decline, which has a substantial countercyclical macro-economic effect, dampening fluctuations in GDP and in household incomes.

Typically, unemployment benefits (and to a lesser extent other benefits such as social assistance) automatically rise in scale in response to a downturn, while retraining schemes, which are part of 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 context, public budgets are under pressure due to fiscal consolidation concerns. While some Member States have more fiscal space, most Member States have little room to spend more on social protection. It is therefore essential to ensure the best use of existing resources and to avoid potential lasting adverse effects of solely savings driven adjustments on the short term and longer term employment and growth prospects. In this respect, **well designed social systems combining the social investment dimension with the other two functions of protection and stabilisation, can contribute to increase the effectiveness and efficiency of social policies.**

In practice, **social policies actually very often support two or all three of these functions**, which are mutually reinforcing. It would thus be misleading to allocate individual items of expenditure to a specific function (investment, protection or stabilisation), although some areas can be more directly linked to one of the three social functions. Typically, protection of human capital during adverse periods enables former investments made in human capital to be preserved.

For instance, unemployment benefits can function as protection (by providing the actual benefits) but also as investment (by preparing future labour market prospects through effective targeted activation measures and preservation of human capital during unemployment spells) and can also play a key role in automatic stabilisation. Furthermore, active inclusion policies refer to a protective pillar (adequate minimum incomes) and an investment pillar (access to quality services), alongside a labour market pillar (inclusive labour market measures). Pensions have a key protection function and also help stabilise household incomes and internal demand in recessions, while also having a social investment aspect, in that they help older people maintain themselves in a state of independence. Likewise, the provision of healthcare, while having a key

protection function, also fulfils a crucial investment function that aims at the early detection and prevention of diseases, such as cancer screening,

While there is thus no exclusive correspondence between the various social policies (or risks⁹) and the three functions of investment, protection and stabilisation, specific social policies can however be more specifically linked to one of these functions, **depending in particular on their design, on the specificities of national contexts and circumstances in time.** For instance, preserving human capital, the family's relation to the economy and the link to employment can generally be more directly linked to the social investment function (Vandenbroucke et al. 2011), relating more particularly the social investment dimension to some policies such as childcare, active labour market policies, rehabilitation, education or training.

Nevertheless, the expected returns from specific policies also depend on the national contexts and sequencing. For instance, the impact of childcare provision on the employment rates of women can depend on labour market factors such as the institutional labour market context (e.g., availability of part-time contracts and flexible working time arrangements) and in particular gender equality. Likewise, reforms to rebalance social spending, for instance, between old-age and childcare and unemployment benefits and to revise the design of unemployment benefits in specific countries (e.g., through greater activation measures, reducing work disincentives by aligning tax/benefit policies, etc.) are also expected to achieve efficiency gains in terms of both economic and social effects.

For instance, in some southern European countries (ES, IT, EL, PT) the stabilising impact of social expenditures is relatively weak. These countries also acknowledge a low poverty reduction impact (excluding pensions) of social expenditures and low levels of childcare provision. Given the rigid constraints on public finances, a careful rebalancing of expenditure, most often rather than an increase, would help to reinforce both the poverty reduction impact of social benefits, as well as the investment in childcare and the stabilising effect of expenditures. This could include reviewing the structure of spending, currently skewed towards old age benefits (in comparison to other countries), making sure that unemployment insurance covers the most vulnerable workers (those who are first to lose their jobs), or adjusting the design of schemes to make them more responsive to the economic cycle (e.g., automatic adjustment of the duration of unemployment benefits).

A revision of the mix between cash and in-kind benefits can also lead to efficiency gains. Both cash and in-kind benefits have pros and cons and an optimal choice depends on the type of benefit and national circumstances. In-kind family benefits such as childcare are more employment-friendly than cash family benefits and ease the participation of women into the labour market, generating virtuous effects on female employment. Childcare services also contribute to preventing child poverty and the intergenerational transmission of disadvantage by securing parental incomes and giving access to quality education and care to all children. Cash housing benefits are more efficient in cushioning situations of temporary financial distress, while in-kind housing benefits can hamper workers' mobility and create ghetto effects.

Promoting an 'active' welfare state should also contribute to the well-functioning cyclical behaviour of social spending, whereby expenditures increase more in response to a shock, and then decrease in times of recovery. This is an essential aspect of the

9 Such as unemployment, old age and survivors pensions, healthcare, sickness, disability, family, housing and social assistance.

sustainability of social systems. A recent study shows that countries that invested heavily in active labour market policies (ALMPs) before the crisis saw their employment levels less severely impacted during the crisis.¹⁰ During the years 2000-2010, a number of countries (the Nordic countries, Germany and the Netherlands, for example) engaged in successful reforms to modernise their welfare states, aimed at reabsorbing high levels of long-term unemployment and/or swelling numbers of people on long-term illness or disability benefits resulting from the recession of the 1990s.

Improving the efficiency and effectiveness of education systems (accompanied by demand-side policies such as enhanced research and development (R&D) spending and innovation) is a key priority for increasing human capital and boosting productivity. Some proposed interventions do not entail higher spending, while at the same time increase future returns from human capital investments. Depending on the country, such interventions may include: curricula reforms in primary and secondary schools to improve basic and transversal schools; promotion of vocational, scientific and technological education with a greater responsiveness to the labour market and attention to innovative sectors; modernising assessment processes and wider use of standardised exams; and avoiding early tracking of students^{11 12}.

More cost-effective provision and use of health services can also be done through better health promotion and disease prevention in and outside the health sector; creating financial incentives to encourage patients to register with a general practitioner (GP) or family doctor and using a referral system; use of less expensive equivalent (generic) drugs; ensuring a balanced mix of staff skills and anticipating staff needs due to ageing; promoting the cost-effective use of medicines; reducing the unnecessary use of specialist and hospital care while improving primary healthcare services; improving data collection and using available information to underpin the improvement of the performance of health systems; and using health technology assessment more systematically for decision-making processes.¹³

3. LONG-TERM TRENDS

3.1 *An ageing population*

People in the EU are fortunate to have a life expectancy among the highest in the world. This is a great achievement. This century-long trend seems set to continue, with life expectancy increasing by about a year every five years.

Fertility dropped from 2-3 children per woman in the 1960s to well below the population replacement level (2.1 births per woman) in the 1990s. Then, in the past decade or so, fertility started rising again in most Member States. There are signs that it could rise further, to just below the replacement level.¹⁴ Moreover, low fertility rates in past years have resulted in smaller cohorts of women (and men), so even somewhat higher rates

10 OECD (2012) *Employment Outlook*

11 European Commission Communication - *Rethinking Education: Investing in skills for better socio-economic outcomes*, COM(2012) 669 final

12 European Commission Communication - *Efficiency and equity in European education and training systems*, COM(2006) 481 final

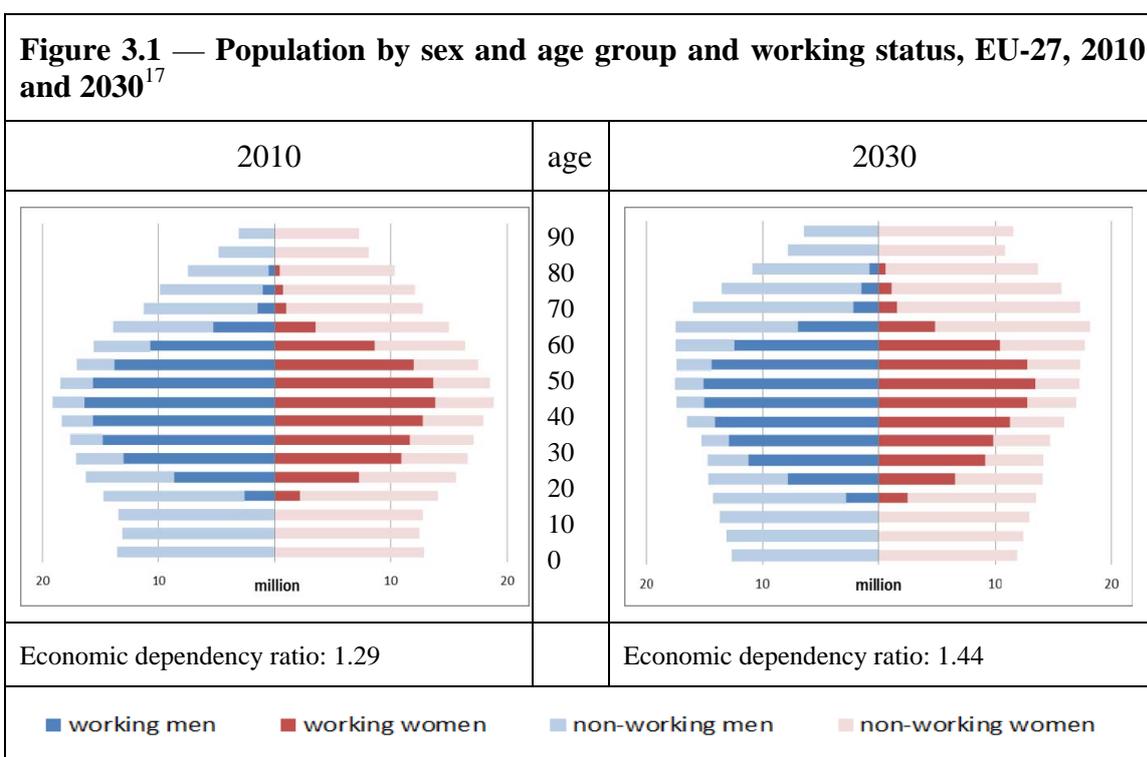
13 European Commission Staff Working Document – *Investing in Health* SWD(2013) 43

14 The apparent fertility increase in most EU Member States since around 2000 may be simply due to women having children progressively later in their lives, as they extended their education; rebalancing in the number of children per woman also contributed to the effect. According to this view, fertility has stabilised (already) in the EU — after decreasing from its high values in the 1960s— at a level slightly below 2 children per woman.

would result in lower numbers of births as compared to some decades ago. That would mean that rapid ageing and rising dependency¹⁵ will occur, and in the long run the population will shrink — bar a large influx of migrants. As evidenced in the 2012 Ageing Report, Labour supply is projected to contract by 11.7% between 2020 and 2060, equivalent to 27.7 million people (24 million compared with the 2010 level).¹⁶

This will create challenges for economic growth and welfare in two respects:

- First, with more dependents and fewer workers, financing social policies will become more difficult.
- Secondly, with fewer workers, some economic activities will have to be rationalised; unless work-efficient alternatives are found, staffing social services will become more difficult.



Source: Eurostat, LFS and projections, computations

However, a significant part of the longer lives are not lived in good health, as measured by the healthy life years (HLY) indicator (see Figure below). There is an average difference of 14.3 years between life expectancy and healthy life years for men, and 19.5 years for women. The spread of values for HLY at birth among EU member states are much greater than for life expectancy, being 19 years for women and 18 years for men¹⁸.

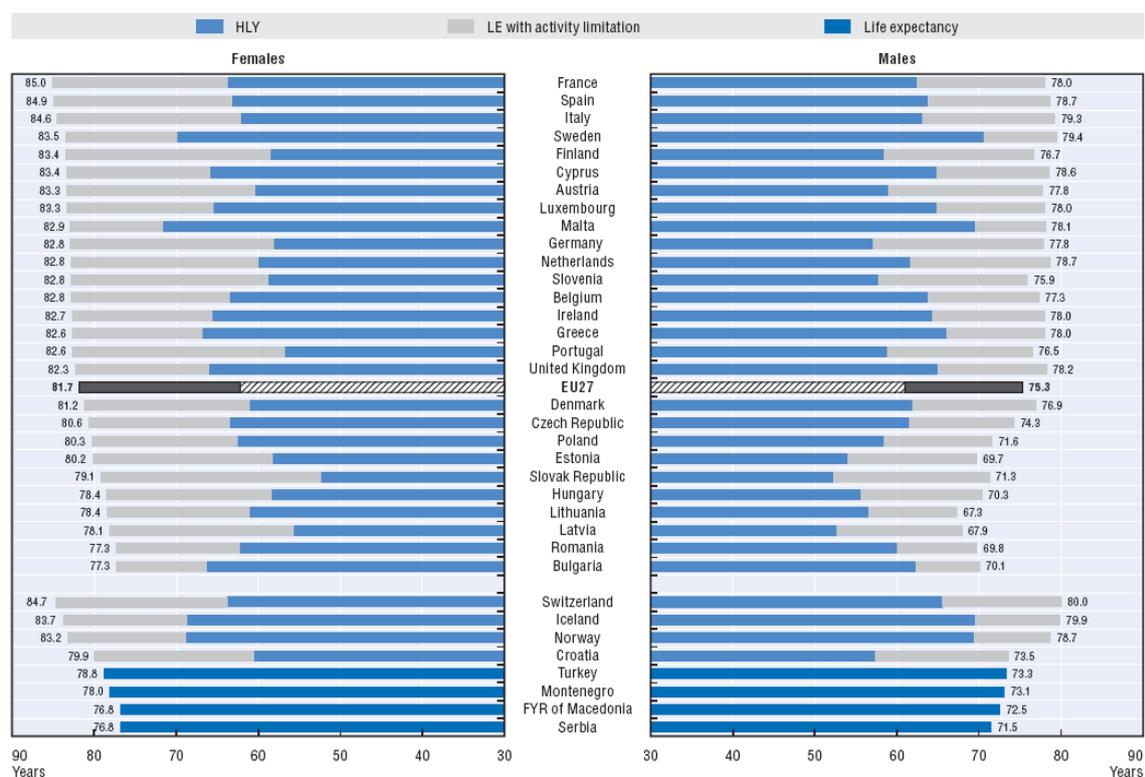
15 Dependency comes in different forms, including 'demographic dependency', i.e., the number of people outside the working age (20-64 in the EU) divided by the number of those of working age; and 'economic dependency', i.e., the ratio between people not in employment over people in employment.

16 European Commission (2012) *Ageing report*.

17 Source: Eurostat and DG EMPL. The projections are based on the assumption of constant employment rates per each age, sex, origin (EU-27 or non-EU-27) and education level (ISCED 0-2; 3-4; and 5-6); education attainment rates are assumed to continue increasing in line with the trend of the past five years.

18 See European Commission-OECD *Health at a glance: Europe 2012*

Figure 3.2 — Life expectancy (LE) and healthy life years (HLY) at birth by gender, 2008-2010 Average



Source: Eurostat Statistics Database; Joint Action: EHLEIS (2012).

StatLink <http://dx.doi.org/10.1787/888932702879>

3.2 A trend towards a more active society

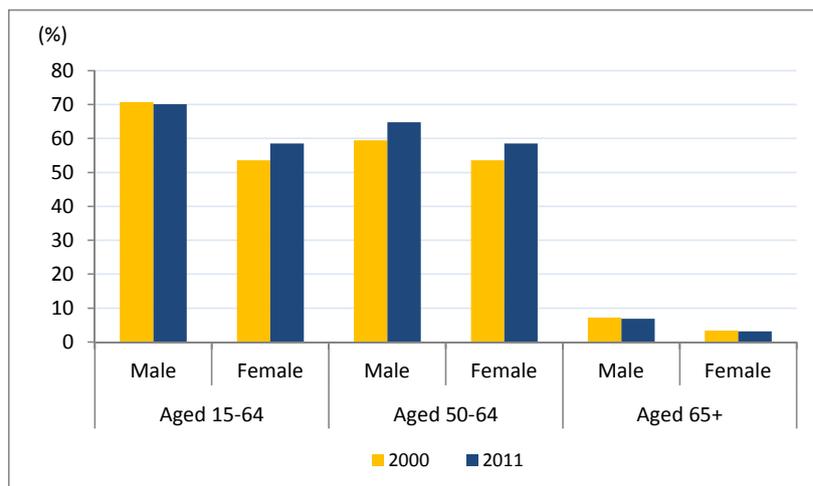
Rising average ages are accompanied by rising life expectancies. From a societal viewpoint, this is important, as older people can remain active and independent for longer.

In the past decade, national pension systems have been reformed¹⁹ and more older people have stayed involved in work and society. These were major achievements of what we call active ageing policies. At the same time, more women have entered the labour market while fertility has increased, albeit slowly, showing that policies to reconcile work and family life can work. These gains, together with increased immigration, have contributed to employment and economic growth²⁰ and partly offset the challenge of ageing. Figure 2.2 below illustrates these trends.

¹⁹ See European Commission White Paper *-An Agenda for Adequate, Safe and Sustainable Pensions - COM(2012) 55 final*

²⁰ In 2000-2010 EU-27 employment grew by almost 1% per year, which was half the real GDP increase.

Figure 3.3 — Employment rates by age group and gender, EU-27, 2000-2011



Source: Eurostat, EU-LFS

3.3 *Geographic trends and growing regional imbalances*

With 10 new Member States joining the EU in 2004 and two more in 2007, more people are on the move. Growing numbers of people from the new EU-12 Member States choose to live in a different country in the EU-27. Their ranks increased almost ten-fold from 2000 to 2010, to 4.5 million.²¹ Young adults from the EU-12 brought extra manpower to the EU-15, relieving saturated labour markets and gaining valuable experience. Over the same period, there was a slight rise in the number of EU-15 nationals living abroad permanently, though there are signs that more and more of them move abroad for short periods.²²

A recent study indicates that people moving from the EU-2 (Bulgaria and Romania) during 2004-2009 may have increased aggregate EU-27 GDP by about 0.2% in the short term and 0.3% in the long term.²³ The study finds that for the receiving EU-15 countries, the long-term impact is even stronger (0.4%), exceeding the economic loss in the sending countries.

The downside of mobility is the cost for sending countries. For Bulgaria, Latvia, Lithuania and Romania, this has meant losing about 5 %²⁴ of their population in the past decade, a trend expected to continue for the next 20 years.²⁵ The losses will be heaviest among young adults (a one-third loss) and highly-skilled workers. Though these populations are currently among the youngest in the EU, especially Romania, by 2050-2060 they will all rank among the oldest. This is also a result of a long process of de-industrialisation following the collapse of the Soviet Union, and it will further exacerbate existing inequalities among Europe's regions. Closing the large decentralised industrial plants, mostly in rural regions, that were artificially supported in the times of planned

21 Including only people aged 15 and over. Source: Eurostat, Labour Force survey, special query.

22 See European Commission (2010) *Demography report*, pages 91-92 (<http://ec.europa.eu/social/main.jsp?langId=en&catId=502&newsId=1007&furtherNews=yes>)

23 See European Commission (2011) *Report on the Functioning of the Transitional Arrangements on Free Movement of Workers from Bulgaria and Romania*

24 And possibly more, according to preliminary indications from censuses around 2011.

25 See "Population and social conditions" in Eurostat Statistics in focus — 1/2010 (http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-10-001/EN/KS-SF-10-001-EN.PDF)

economies has created an exodus towards the cities, especially among young adults in search of employment. Those who leave face difficult conditions at the margins in cities, while those who stay behind experience an aged and declining population and a weaker economy.

People in rural regions are likely to suffer the most from population decline and ageing. These are caught in a vicious cycle where population loss and ageing discourages investment; as a result, talented young adults are even more motivated to move to more developed regions. Many emigrating young adults care for dependent people in need of assistance, such as children or elderly relatives. When these dependent people also move, they often face integration problems (such as learning a language in new school); when they are left behind, they often lack the necessary care.

But the impact is not limited to the rural areas. In northern and western Europe, the employment rate in urban areas is below the national average. This leads to an 'urban paradox'. People arrive to job-rich city centres for work, but the resident population suffers from a lack of jobs. High unemployment among residents further puts pressure on social cohesion in cities and is a contributing factor in social problems such as inadequate housing, crime and delinquency.

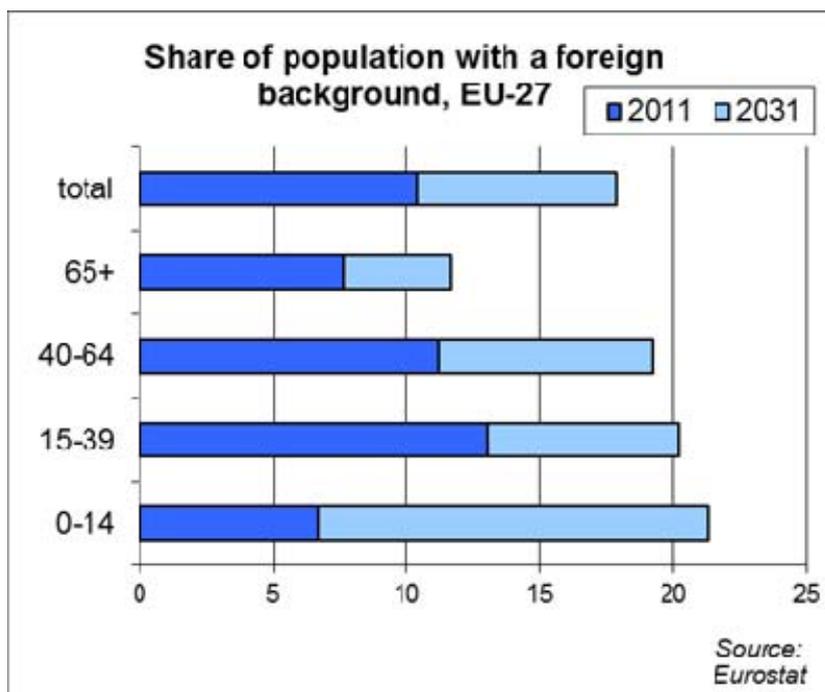
3.4 More diverse populations, a more diverse workforce, more diverse lives

The working-age population is shrinking, but it is also becoming more diverse. At the same time, by 2030, the rate of women's participation in the workforce is expected to grow only marginally. The participation of older workers will grow more rapidly (those aged 50-64, to increase from 30 to over 35%) and that of workers with a foreign background²⁶ will increase considerably (see Figure 3.3). A greater number of older workers will also mean further adaptations in the workplace.²⁷

26 Persons have a foreign background if they themselves or at least one of their parents were born abroad.

27 See Council Declaration on the European Year for Active Ageing and Solidarity between Generations (2012): The Way Forward <http://europa.eu/ey2012/BlobServlet?docId=9231&langId=en>

Figure 3.4 — Share of population with a foreign background, EU-27²⁸



Non EU-citizens have represented two-thirds of the EU population growth in the past decade²⁹ and half of employment growth in the past five years.³⁰ As a result, out of just over 30 million non-nationals in the various EU Member States, 20 million are non-EU citizens. Up to 10-15 million more people were born as non-EU citizens and later acquired citizenship of an EU Member State.

Migrants from outside the EU are generally younger than the population they join, so they rejuvenate it. These migrants also tend to be better educated than older workers, though they are generally less well educated than local-born labour market entrants,³¹ so they play a more significant role in maintaining the size of the labour force than in upskilling it.³²

There are also country-specific aspects to increasing diversity. The Roma, for instance, are projected to increase from 5 % to 16 % of the Hungarian population of active age by 2050.³³ As low education and low employment are characteristics of many Roma at present, fostering their integration is a priority.

People's lives are also becoming more varied. The traditional pattern whereby people, predominantly men, first studied, then worked, then retired is slowly being supplanted. People, especially women, tend to stay in education longer and wait longer before having children. Within their working lives, many people have spells of childcare and lifelong learning, reducing or discontinuing work temporarily.³⁴ People still migrate for long

28 See also G. Lanzieri, 'Fewer, older and multicultural? A projection of the populations of the European Union Member States by foreign/national background'. Paper for the European Population Conference, Vienna, 1-4 September 2010 <http://epc2010.princeton.edu/download.aspx?submissionId=100315>

29 Eurostat, demo_gind

30 Eurostat, lfsa_egan

31 See European Commission (2010), *Demography report "Older, more numerous and diverse Europeans"* chapter I.5 and II.2.

32 See OECD (2012) *International Migration Outlook*, page 127.

33 See Hablicsek, L (2004) 'Demographics of population ageing in Hungary' Discussion Paper No.207 Project on Intergenerational Equity, Institute of Economic Research, Hitotsubashi University

34 Vlachantoni, A. (2010), The demographic characteristics and economic activity patterns of carers over 50: evidence from the English Longitudinal Study of Ageing, Population Trends Nr. 141, pp. 54-96.

periods, but now many more have short work or study experiences abroad.³⁵ People are also leaving the labour market later. These new, more varied patterns of life mean that social protection systems have to adapt to the new realities.

3.5 *Changing family structures*

In recent decades, ever-growing numbers of women have been getting an education and going out to work. Among those born after 1960, more women than men obtain university degrees in almost all EU Member States. Each new generation of women has valued employment and economic independence more and managed to reconcile having children with employment more successfully. Those who work as young adults are also more likely to be working as they grow older, with employment rates growing for women of all ages.

Changes in values, opportunities and increasing mobility have led and continue to lead to changing family structures. Since 1970, there have been fewer marriages, falling from eight to five a year per thousand people, while the number of divorces has risen from one to two per thousand.³⁶ This has probably increased the number of single-parent and recomposed families. More children, now over a third, are born outside marriage. At the same time, fewer women (traditional informal carers) are available to look after dependants as demographic dependency rises. Overall, the male breadwinner model, on which much family policy has been grounded, is no longer predominant. This means adapting social policies to a new reality, ranging from pensions, education and care, health and elderly care and measures to reconcile work and private life.³⁷

3.6 *The development of information and communications technologies*

Information and communication technologies (ICTs) are increasingly being used across Member States. In 2011, 77 % of households in the EU had access to a computer. The internet was available in 73 % of EU households in 2011, a sharp rise from 41% in 2004.³⁸ An estimated 180 million people are also using ICTs at work.³⁹

In spite of increasing levels of regular internet usage in Europe, large disparities still persist between EU countries and between different socio-economic groups. Age and education are the main factors determining the probability of using the internet. Other socio-economic conditions such as household income or rural/urban living area also strongly influence internet use.⁴⁰

Furthermore, when looking at young people, according to Eurostat, in 2011, 91% were regular internet users, or accessed the internet at least once a week. However, research on the relationship between youth, ICT and inclusion⁴¹ points to worrying trends: (a) the lack of ICT skills of young people, for example digital reading or ICT skills to meet the labour market demands; (b) the fact that socio-economic status affects the frequency of ICT use, the skills and the types of ICT uses, where disadvantaged youth adopt more

35 See the special Eurobarometer EBs337 Geographical and labour market mobility published in June 2010 and EBs346 New Europeans published in April 2011 at http://ec.europa.eu/public_opinion/archives/eb_special_en.htm

36 See European Commission (2010) *Demography report*

37 See http://www.coe.int/t/e/social_cohesion/population/N%B049_Family_Formation.pdf

38 Eurostat, Survey on ICT usage in households and by individuals

39 Council of European Professional Informatics Societies (2007) 'Thinking Ahead on e-Skills for the ICT Industry in Europe'

40 European Commission (2012) *Digital Agenda Scoreboard*, Chapter 1: A vibrant digital single market
<https://ec.europa.eu/digital-agenda/sites/digital-agenda/files/KKAH12001ENN-chap2-PDFWEB-2.pdf>

41 JRC (2013) *Information and Communication Technologies (ICTs) for disadvantaged youth: Opportunities and Challenges. Evidence from literature and practice. Policy Report*. Authors: C Centeno, J Cullen, S Kluzer, A Hache (forthcoming 2013), JRC Scientific and Technical Reports Series, EUR NN NNN EN, at <http://is.jrc.ec.europa.eu/pages/EAP/eInclusion/youth.html>

risky behaviours online and are more likely to be exposed to unsuitable and harmful on-line experiences; and (c) digital exclusion of those with lower socio-economic status is affected by cost, peer pressure, social context, attitudes, and school divides.

The development and increasing use of ICTs has the potential to promote cultural understanding between citizens, to seed innovation in institutions and to create competitive advantage for businesses and employees in the future. These technologies continue to play an important role in improving labour productivity and they also provide responses to major societal challenges. ICTs increase the effectiveness of existing processes and create enormous potential through 'network effects' ('collective intelligence') in order to find effective solutions to societal challenges.

ICTs are a key enabling tool in the development of new forms of work. Thanks to their pervasiveness, people can work remotely, on the go from virtual work stations and indeed also according to their own rhythm. This flexibility allows workers to take up employment positions which otherwise would have been too far away or not compatible with other personal obligations such as child or elderly care or with limitations in activities imposed by a disability.

The ICT sector has increasingly accounted for a substantial part of EU GDP and employment. For the EU as a whole, in 2009, the EU ICT sector represented 4.0% of EU GDP (€470 billion) and accounted for 2.7% total employment, amounting to 6.1 million people.⁴²

ICT skills have become crucial for employability of individuals, supporting individual empowerment (development of self-confidence and self-efficacy) and the development of other skills, such as transversal skills (social networking, collaboration, problem solving, language skills), job search skills, and e-learning skills.⁴³

There is also an increasing demand in the labour market for ICT skills, which not only increases the employability of those having them, but also gives people access to more and better jobs — more creative jobs where they can further develop their skills, enhance their career prospects and earn higher wages. Moreover, ICT skills facilitate access to the labour market as they help people to search for jobs more effectively and can reduce the duration of unemployment.

Furthermore, ICTs have dramatically changed the way job seekers look for jobs and employers recruit and select the best candidates. ICTs support the role of labour market intermediaries (social actors, employment services, etc.) that can offer new online assessment, labour market information and employment services to job seekers and employers, improving service quality, cost-effectiveness, supply-demand matching and reach.⁴⁴

Demand for ICT specialists and people who have strong ICT skills is growing, while shortages of ICT practitioner skills have become endemic. The employment of ICT practitioners is growing so fast that there are not enough workers to fill all the vacancies available in the sector, even with increased unemployment during the economic crisis.

42 JRC (2012) The 2012 Predict Report *An Analysis of ICT R&D in the EU and Beyond*

43 JRC (2013) *Literature Review on Employability, Inclusion and ICT, Report 2: ICT and Employability*. Authors: de Hoyos M., Green A. E., Barnes S-A., Behle H., Baldauf B., and Owen D. Editors: Centeno C., Stewart J. JRC Technical Report Series EUR NN NNN EN, Institute for Prospective Technological Studies, Joint Research Centre, European Commission (forthcoming 2013), at <http://is.jrc.ec.europa.eu/pages/EAP/eInclusion/employability.html>

44 Op. cit.

According to recent estimates,⁴⁵ there will be up to 700,000 unfilled ICT practitioners' vacancies in the EU by the year 2015. The Employment Package underlines the potential for employment growth by developing the ICT sector and ICT skills.⁴⁶

Outside of ICT specialist skills, most jobs nowadays already require some kind of computer-related knowledge. It is forecast that by 2015, 90% of jobs will need at least basic computer skills.⁴⁷ Possessing ICT skills is increasingly important in order to lower unemployment risks even among senior workers,⁴⁸ and ICTs can also be used to improve other work skills. ICTs can help increase high level skills and up-skill existing skills, for example, by enabling education and training through open and easily available learning resources, open educational practices and the use of open networks.

When exploring the links between ICT and the social inclusion of disadvantaged populations, an analysis of 61 initiatives using ICT to support the inclusion of disadvantage youth at risk of exclusion⁴⁹ shows that the short term effects or 'outcome' of ICT-based initiatives are associated with multi-dimensional impacts, typically combining empowering/skilling, social inclusion and social capital and employment-related benefits, supporting protective factors and resilience.

4. THE SOCIAL IMPACT OF THE ECONOMIC AND FINANCIAL CRISIS: DIVERGENCE BETWEEN MEMBER STATES AND GROWING INEQUALITY IN THE EUROPEAN UNION

In the decade before the crisis, economic and employment growth in general improved overall living standards. Many governments devoted more resources to social policy intervention. Despite the clear redistributive effect of social protection, inequalities have often increased. Poverty and social exclusion remain major issues in most EU countries, though the pattern varies substantially across different countries.

The outbreak of the financial and economic crisis in late 2008 put further strain on households in the EU. The timid recovery generating some employment growth after 2010 has not proved durable and the ensuing economic slowdown in 2011 gradually turned into mild recession in the EU, as the escalation of the debt crisis in several Member States led to necessary policy shifts toward fiscal austerity by and large across the EU, with inevitable adverse effects on aggregate demand. As a result, the employment recovery from the 2008-2009 recession has come to a standstill. The number of people in employment in the EU grew by a modest 0.3 % of the working-age population in 2011, owing to the better first half of that year, and then has stagnated until autumn 2012.

45 Report for the European Commission "Anticipating the Evolution of the Supply and Demand of e-Skills in Europe (2010-2015)" Empirica and IDC Europe, December 2009. Updated forecast presented at the European e-Skills Conference held in Brussels on 13 December 2011.

46 See European Commission Communication -Towards a Job Rich Recovery, COM(2012) 173 final

47 IDC White Paper (2009) *Post Crisis: e-Skills Are Needed to Drive Europe's Innovation Society*

48 For example, one econometric study of the Italian labour market, monitoring for age and education and following individuals over time, found that low educated workers aged between 35 and 49 with no digital skills have a 5% higher risk of being unemployed than those with digital skills; and highly-educated 50-64 workers with no digital skills have a 20% higher risk of being unemployed than those with digital skills. The dataset used provides four different waves of data (2000, 2002, 2004, and 2006). For the illustration of the dataset see Main Report (Codagnone et al 2009), point 8.2.

49 JRC (2013) Information and Communication Technologies (ICTs) for disadvantaged youth: Opportunities and Challenges. Evidence from literature and practice. Policy Report. Authors: C Centeno, J Cullen, S Kluzer, A Hache (forthcoming 2013), JRC Scientific and Technical Reports Series, EUR NN NNN EN, at: <http://is.jrc.ec.europa.eu/pages/EAP/eInclusion/youth.html>

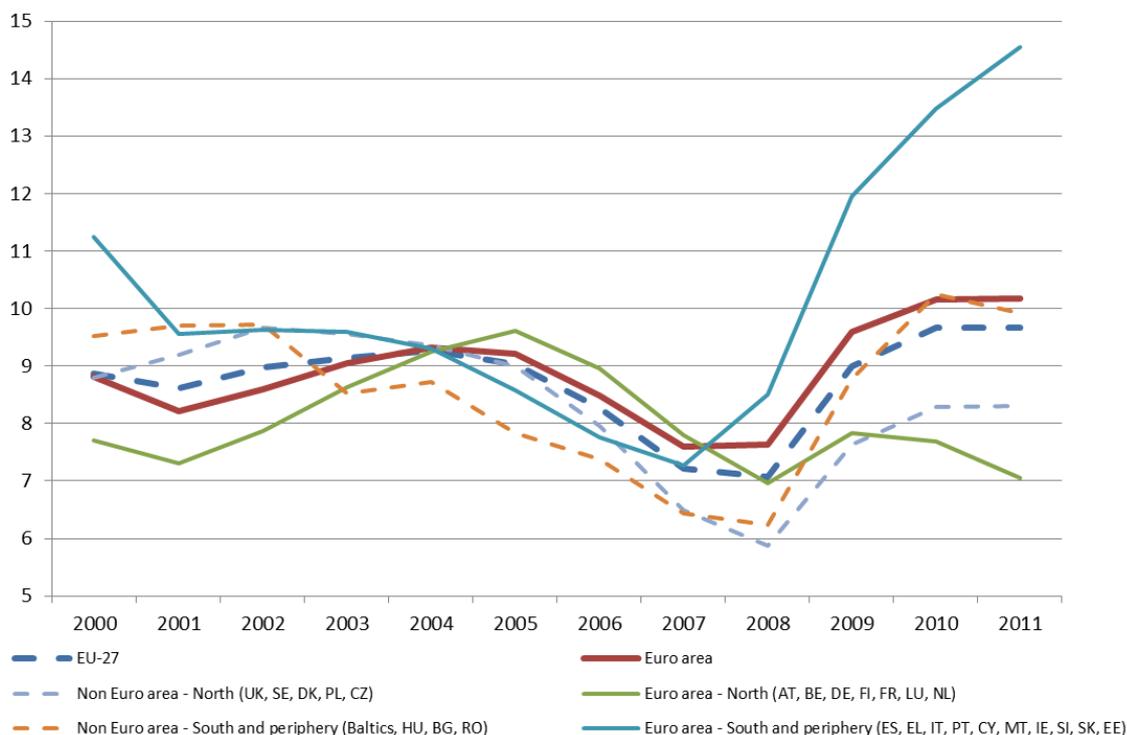
Over the period 2008-2011, the employed population shrank by 2.0 %. Unemployment is again rising to historically high levels. The average EU unemployment rate is over 10 %. The rates for long-term and youth unemployment are especially worrying. In autumn 2012, 25 million Europeans were unemployed. More than 10 million of them had been unemployed for over a year, while in the United States and Japan unemployment has been slowly declining.

4.1. Growing divergence between EU countries

Employment and social indicators point to growing divergence among EU countries. Some southern and peripheral European countries have seen their unemployment increase sharply and their GDP contract considerably, while most of the countries of northern and central Europe have so far shown greater resilience. The latter tend to combine higher levels of competitiveness with better functioning labour markets and more robust welfare systems. The (in)ability to cope with the shock was frequently compounded by the initial public debt and deficit levels, as well as the property market situation, and subsequent developments followed by the reaction of financial markets.

EU countries have seen very different trends in unemployment, as shown in Figure 3.2. After converging in the years up to 2003-2004, in favour of southern and peripheral countries, it changed in favour of northern countries again in 2008, both within and outside the euro area. In 2011, the gap between the north and the south/periphery in the euro area reached 7.7 percentage points, but was smaller among non-Euro area countries (1.8 %). Labour market divergence has become a major issue for the EU.

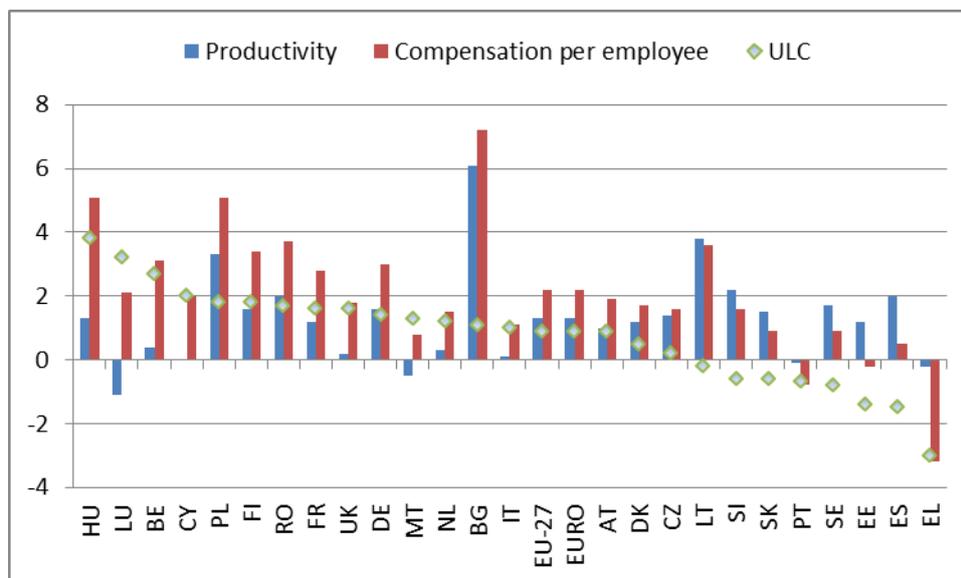
Figure 4.1 — Diverging unemployment rates by groups of Member States since 2000, 15-74 age group, 2000-2011



Source: Eurostat, EU LFS.

Much of the post-2008 period in most Member States has been marked by wage deceleration, including pay freezes and sometimes pay cuts. In 2011, this deceleration was increasingly concentrated in Member States with high unemployment and current account deficits, in efforts to reduce the wage bill in the public sector and regain competitiveness in the private sector. Changes in pay per employee ranged between plus 3 % in Finland, Belgium and Germany and a similar rate of negative growth in Greece.

Figure 4.2 — Compensation per employee, productivity and ULC in 2011 (annual % growth)⁵⁰



Source: Eurostat, National Accounts

There is growing divergence between the countries where the social impacts of the crisis were somewhat limited, and countries where living conditions have deteriorated markedly. The fall in household disposable income was most significant (above 4%) in the southern countries, Ireland, Hungary and the Baltic States, the result of further deterioration in labour market conditions, together with weakening of the cushioning impact of social expenditure over time (see Figure 4.3).

In the Baltic States the rebound of the economic and labour market situation has contributed to stabilising income levels overall after 2010, but long-term unemployment and poverty remain at high levels.

In stark contrast, northern and continental countries fared far better. The combined effect of robust automatic stabilisers⁵¹ (reinforced by initial discretionary measures) and more resilient labour markets in general helped mitigate the impact of the recession on overall household incomes and private demand. Still, while household incomes continued to rise during the crisis, there were still some groups badly affected by rising unemployment.

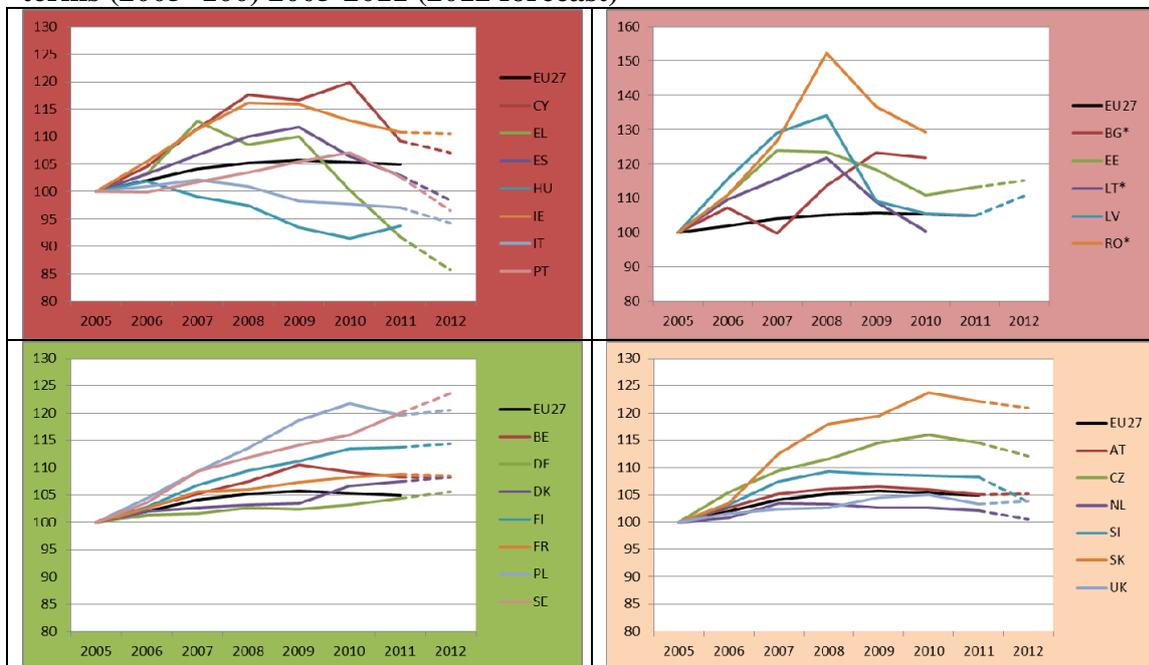
Between 2007 and 2009, automatic stabilisers and stimulus packages contributed to sustaining household incomes in most countries. Between 2009 and 2011, household incomes fell in a number of countries, especially where the recession was prolonged, due

50 Unit labour cost (ULC) growth = growth compensation per employee adjusted for productivity growth Note: IE: data missing, LV: structural break in data

51 'Automatic stabilisers' refers to mechanisms that stabilise economic growth, notably through the stabilisation of households' incomes (through higher social benefits such as unemployment benefits, and lower taxation in the event of negative shock) so as to cushion consumption and savings and thus the overall economic cycle.

to: the weakening of the effect of automatic stabilisers (e.g. people losing entitlement) and the phasing out of discretionary measures taken at the onset of the crisis, combined with the introduction of fiscal consolidation measures (cuts in benefits and increases in taxes).

Figure 4.3 – Evolution of Gross Household Disposable Income (GHDI) in real terms (2005=100) 2005-2011 (2012 forecast)⁵²



Source: AMECO

4.2. Trends towards greater social inequality in most countries

The evolution of incomes since 2008 results both from long-term trends⁵³ and from the specific impact of the recession. The initial deterioration of labour market conditions primarily affected workers at the lower end or in the middle of the income distribution. This impact was mitigated by the working of automatic stabilisers and initial discretionary measures. Over time, long-term unemployment and the weakening of the protective role of social transfers led to an increase in the share of people on low income in a number of countries. In addition (see section 7) fiscal consolidation measures have had differing redistributive impacts, in some cases exacerbating and in some cases mitigating inequality.

The crisis has not affected the whole population uniformly. It has in several respects worsened the position of people already at heightened risk, thus contributing to social polarisation. Young people have been particularly hard hit, and more than one in five active Europeans aged 15-24 are unemployed. Non-nationals, the low-skilled and men are also badly affected by deteriorating labour market conditions. There has been a levelling down of gender gaps in employment, unemployment, wages and poverty over the crisis. This does not, however, reflect progress in gender equality as it is based on lower rates of employment, higher rates of unemployment and reduced earnings for both men and women.

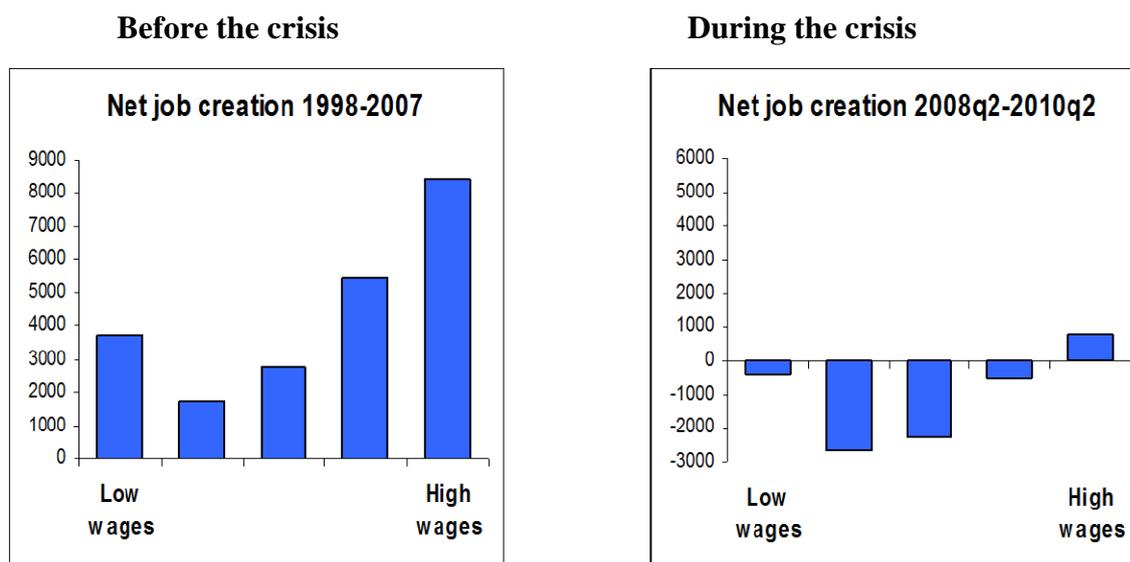
⁵² Data available only until 2010

⁵³ See European Commission (2011) *Employment and social developments in Europe 2011*, chapters 1 and 2

Even before the crisis, there was a trend towards polarisation of incomes. The polarisation of jobs took root in the decade before the crisis. Most of the jobs created between 1998 and 2007 were either low paid or highly paid⁵⁴. This led to slow erosion of the number of middle-paid jobs (Figure 3.5). The growth of service jobs at the extremes of the wage distribution aggravated this trend.

The recession reinforced the **wage polarisation** observed in the past. During the current recession, the massive job losses in manufacturing and construction — and the ensuing collapse in middle-ranking jobs — drove wage polarisation for the most part. Job growth in the top wage quintile persisted strongly throughout the recession, mainly because of the rise of knowledge-intensive services (KIS), including public services (mainly education and health) and private services (business services). One of the main factors behind the "disappearing middle" was the polarisation of service sector employment, characterised mainly by employment growth at the top and bottom, which is likely to continue in the long run. This suggests that the service sector cannot be relied upon to fill the gap created by the decline in manufacturing. This trend toward further segregation means that **those in lower-end employment are at growing risk of limited career mobility possibilities**, exacerbating problems of job-skills mismatches and over-qualification.

Figure 4.4 — Net job creation (difference between the number of jobs created and the number of jobs lost — expressed in thousands of jobs) by wage level



Source: ESDE 2011

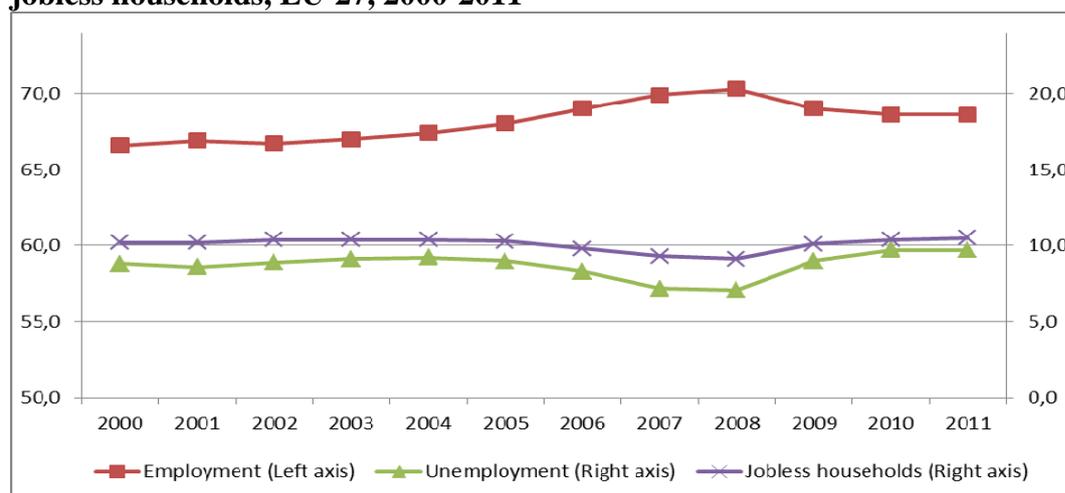
Another factor driving rising inequalities is the growth in involuntary part-time and temporary contracts. **Persistent labour market segmentation** is an important determinant of growing earnings inequality, not just because non-standard workers tend to work fewer hours per year, but also because they are generally paid less per hour after taking into account differences in education and experience. Non-standard contracts can also provide opportunities to get back into the labour market and act as stepping stones towards better jobs, as observed in countries with better functioning labour markets.⁵⁵

54 See European Commission (2011) *Employment and social developments in Europe 2011*, chapter 1

55 European Commission (2011) *Employment and social developments in Europe 2011*, chapter 4

In most countries, inequalities between workers were further aggravated by the **polarisation of jobs between job-rich and job-poor households**. Before the crisis, growth in employment was mainly driven by women entering the labour market. The **new jobs mostly went to second earners in households that previously had only one earner. Households that included no earners were benefiting less**. This is illustrated in the graph below, which shows that while the EU unemployment rate was reduced by 2 percentage points between 2004 and 2007, the share of people in jobless households was reduced by only 1 percentage point.

Figure 4.5 – Employment, unemployment and share of working age adults living in jobless households, EU-27, 2000-2011

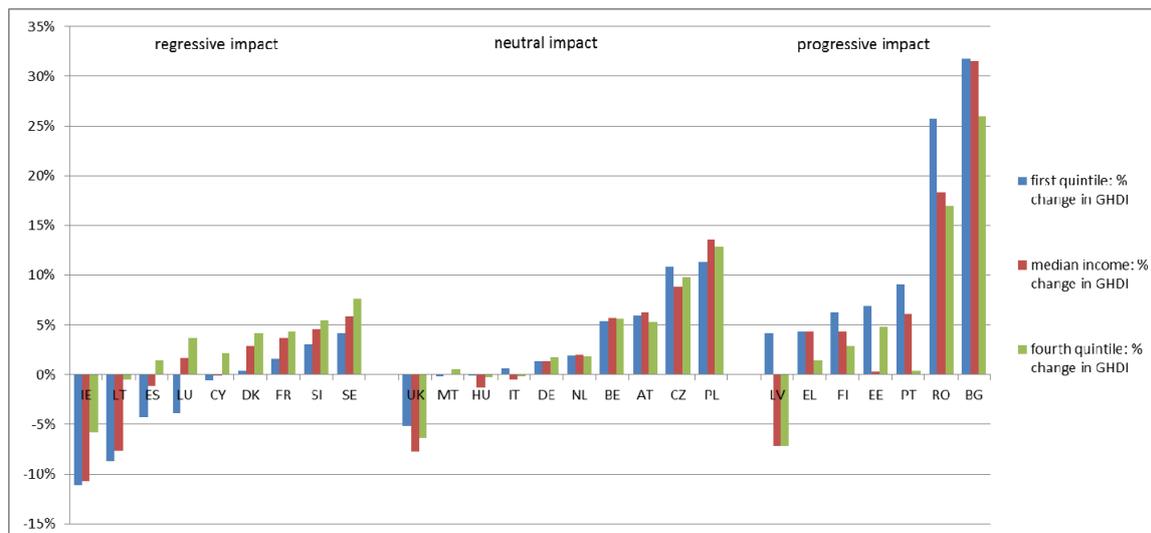


Source: Eurostat — LFS

Welfare systems play an important redistributive role, but in the past decade, government transfers, the tax system and public services have not always been able to mitigate the rise in earnings inequalities (see ESDE 2012). Moreover, the current need for fiscal consolidation and the growing pressure of an ageing population are putting European welfare systems under stress, so there need to be efficiency gains.

The effect of the first phase of the crisis (2008-2009) was uneven across the income distribution. In a third of the EU countries the impact was **regressive**. In Ireland, Spain and Lithuania, the poorest segment of the population saw their income drop more than the rest of the population. In France, Denmark, Sweden and Slovenia, the incomes of the poorest segment of the population grew significantly less than households higher up the income distribution. In the UK, Hungary and Italy, people in the middle of the income distribution (often workers) were the most affected by the crisis. In a few countries of continental Europe (Germany, Belgium, the Netherlands, Austria and Poland) the trend was relatively even across the distribution. In Latvia, Greece and Portugal, the impact was progressive, with the top incomes proportionally more affected than those of the rest of the population.

Figure 4.6 — Changes in households' disposable income in different parts of the income distribution (% change in national currencies, 2007-2009); Member States grouped according to the degree of progressivity of the change



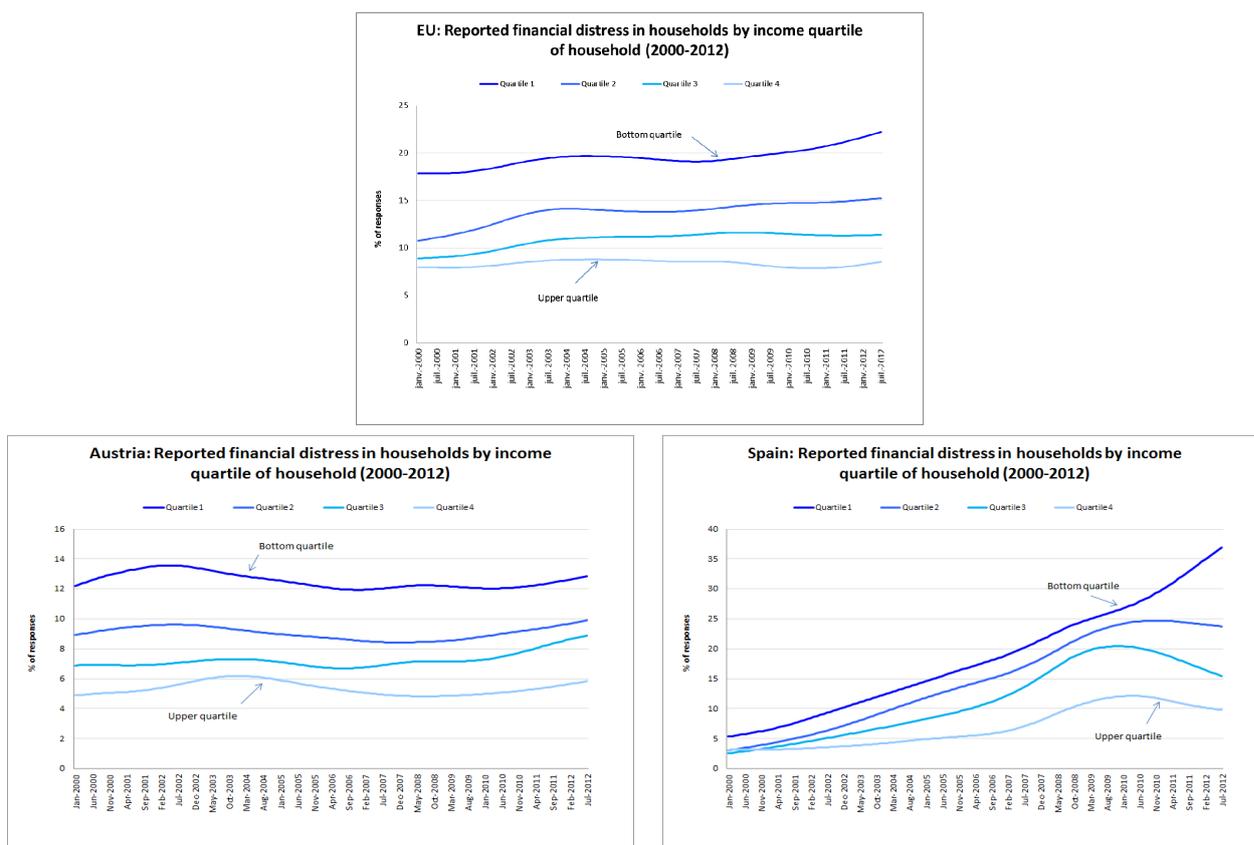
Source: EU-SILC

Consumer surveys⁵⁶ provide a more recent picture (up to spring 2012) of the trends in the way households themselves see their financial situation. The **financial stress index** monitors the percentage of people declaring that they had to draw on their savings or to go into debt to keep up current expenses. Trends up to spring 2012 show that most households saw a marked deterioration in their financial situation in most EU countries. All income groups were affected.

However, in some countries, those on low incomes felt the impact most, especially in Estonia, Greece, Spain, Italy, Cyprus, Latvia, Hungary, Malta, Portugal and Slovakia. This could herald significant rises in poverty and material deprivation levels in these countries and confirm the increase in **subjective poverty** that surveys recorded in the first phase of the crisis. According to data from EU-SILC, between 2008 and 2011, the proportion of people reporting that their household was only just making ends meet rose sharply (by more than 4 percentage points) in the Baltic States, Cyprus, Greece, Hungary and Ireland.. This includes countries where the poor may have lost proportionally less than the rich (see above), but nevertheless experience a stronger deterioration of their actual living conditions given that essential consumption items (food, housing) represent a larger share of their budgets.

56 Consumer surveys carried out under the joint harmonised EU programme of business and consumer surveys

Figure 4.7 — Reported financial distress in households by income quartile in the EU and in selected Member States (2000-2012)⁵⁷



Source: Joint harmonised EU consumer surveys & DG EMPL calculations

5. THE EVOLUTION OF POVERTY AND SOCIAL EXCLUSION

5.1. *The multiple facets of poverty and social exclusion*

This section deals with trends in poverty and social exclusion in the EU. EU-SILC data confirm the stagnation of relative poverty between 2005 and 2011, but at the same time show that living standards improved in EU-12 countries before the crisis, as measured by severe material deprivation rates.⁵⁸ Material deprivation rates eased in EU-12 countries in parallel with the relative rise in GDP per capita in these countries. The crisis has brought this overall improving trend to a halt and material deprivation started increasing again in many countries, especially those most affected by the crisis.⁵⁹

The impact of the crisis is most visible in the percentage of jobless households⁶⁰. This has started to rise again since 2008, especially in the EU-15 (see next section). Related and significant income losses are also reflected in the increase in material deprivation in some countries (up to 2010-11).

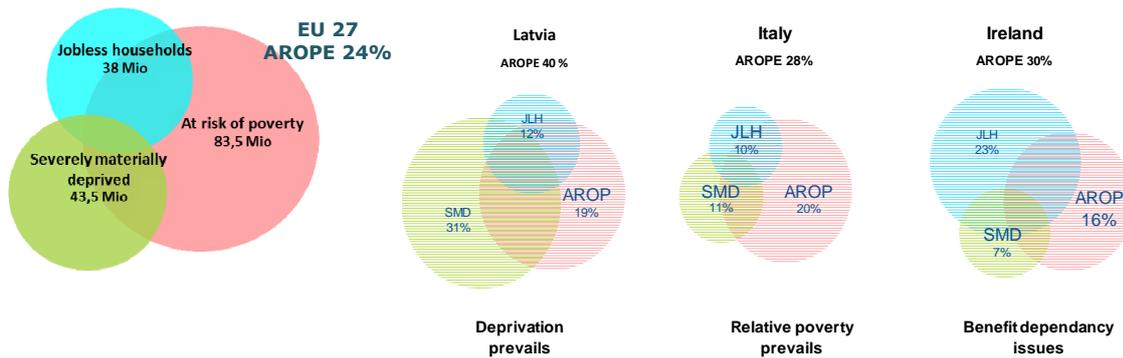
⁵⁷ Time series smoothed by applying Hodrick-Prescott filter

⁵⁸ "Material deprivation" covers indicators relating to economic strain, durables, housing and environment of the dwelling.

⁵⁹ Eurostat, EU-SILC, ilc_mddd11

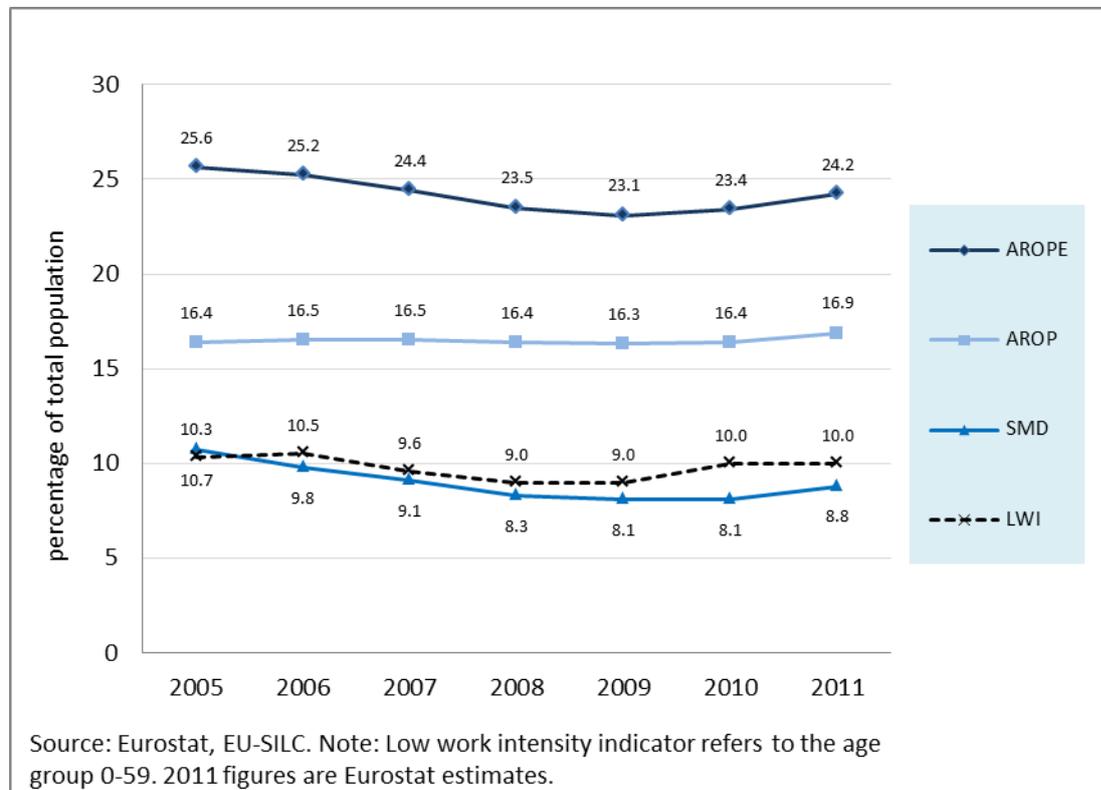
⁶⁰ Note: Jobless households (JLH) refers to people living in households with very low work intensity (LWI) by age and sex (population aged 0 to 59 years). In this document both the abbreviations JLH and LWI are used to cover the same indicator.

Figure 5.1 — Population at risk of poverty and social exclusion in the EU and in selected Member States



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

Figure 5.2 — Developments in the at-risk-of-poverty or social exclusion (AROPE) rate and its components in the EU, 2005-2011



Source: Eurostat, EU SILC. Note: 2005, 2006 and 2011 are Eurostat estimates.

Poor **health**, lack of access to health care, poor or unaffordable **housing**, poor educational outcomes (especially for early school leavers and NEETs⁶¹) or poor access to **education**, and the deterioration of social participation are important dimensions of social exclusion. The impact of the crisis on these is more difficult to capture, but is likely to have long-term detrimental impacts on the formation and quality of human capital. However, a recent paper by the Commission’s Social Situation Observatory

61 The term 'NEET' refers to young people who were not in employment, education or training

(SSO)⁶² finds that the financial crisis has had a statistically significant negative effect on health, in the sense of a significant increase in the number of people reporting poor health after the crisis (i.e., between 2006 and 2009 in Greece and Portugal).

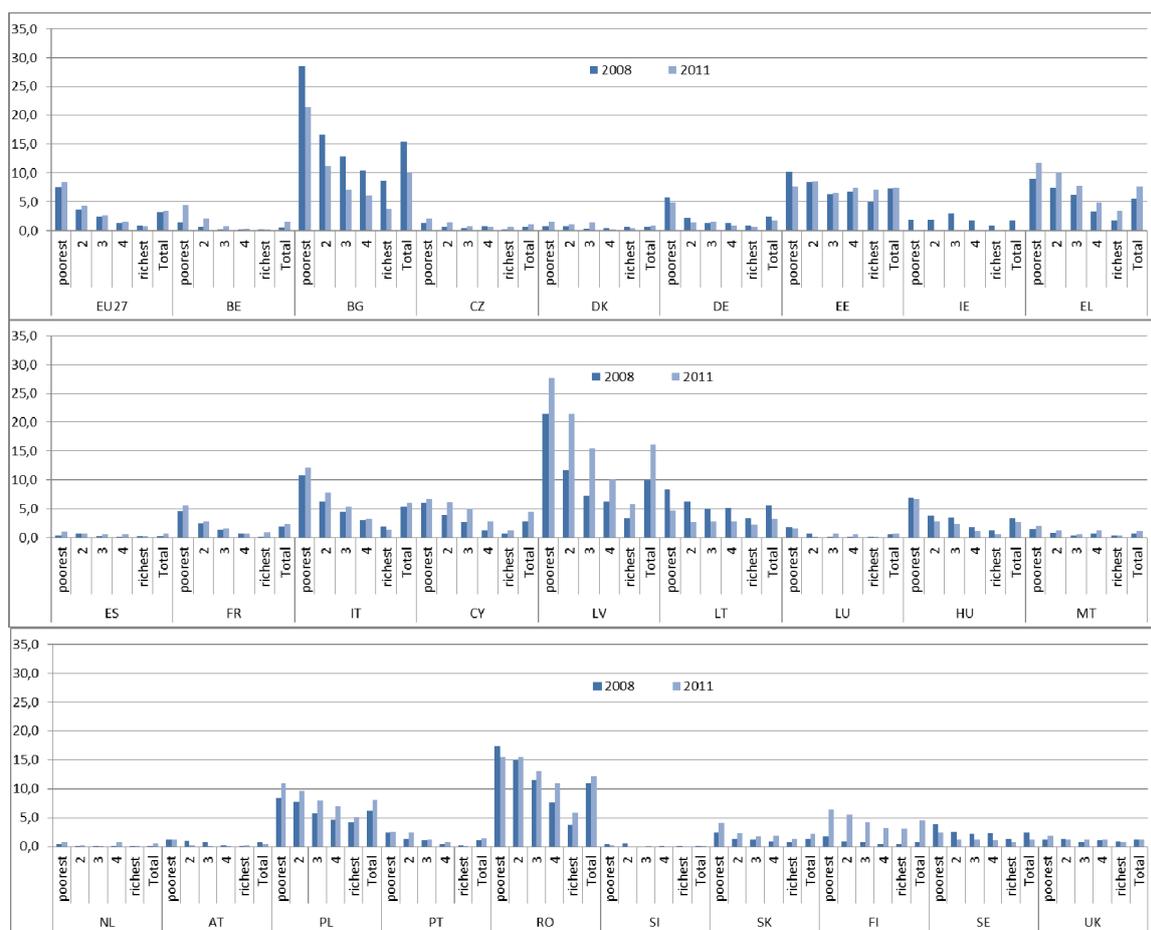
Improving **access to healthcare** is clearly an important aspect of preventing and tackling social exclusion. The EU_SILC indicator of 'unmet need for medical care' (due to barriers in access to the health care system⁶³) improved in most Member States between 2008 and 2010. While slight deterioration occurred in Finland, France and Malta, Latvia and Poland stand out as the only two countries with a marked worsening. The significant income gradient has been maintained across the EU in the reference period of 2008-2010. More recent information stemming from the annual Social Climate Eurobarometer⁶⁴ surveys carried out between 2009 and 2012 show a clear downward trend in the 'judgement of the current situation in the health care provision'. The index for Greece went down from -3.1 to -6.3 (on the scale from -10 to +10). Important negative changes in the 'judgement of the current situation in the health care provision' have also been observed in Italy (from -0.1 to -1.8), Latvia (from -1.8 to -2.8) and Portugal (from -1.0 to -1.9). Generally, the countries scoring poorly are the ones heavily affected by the crisis. Yet, the perceptions became only slightly worse in Spain and remained stable in Ireland. Improvements were observed in Germany, France, Belgium and the Netherlands. Poland represents a special case of a country without a GDP decrease and with a sharp drop in the judgement of health care provision to very low levels (from -1.7 in 2009 to -4.0 in 2012). See the Staff Working Document on Investing in Health for concrete policy responses.

62 Economic Recession and Health Outcomes, Research Note, Sotiris Vardoros, Mauricio Avendano-Pabon, Philipp Hessel and Tiziana Leone (to be checked with D4 if already published)

63 The barriers considered are "too expensive, "too long waiting lists" or "too far to travel"

64 Special Eurobarometers "Social Climate" EBs 315 June 2009, EBs349 June 2010, EBs370 June 2011, EBs391 June 2012, at: http://ec.europa.eu/public_opinion/archives/eb_special_en.htm

Figure 5.3 — Self-reported unmet need for medical care⁶⁵, by income quintiles in selected Member States, 2008-2010



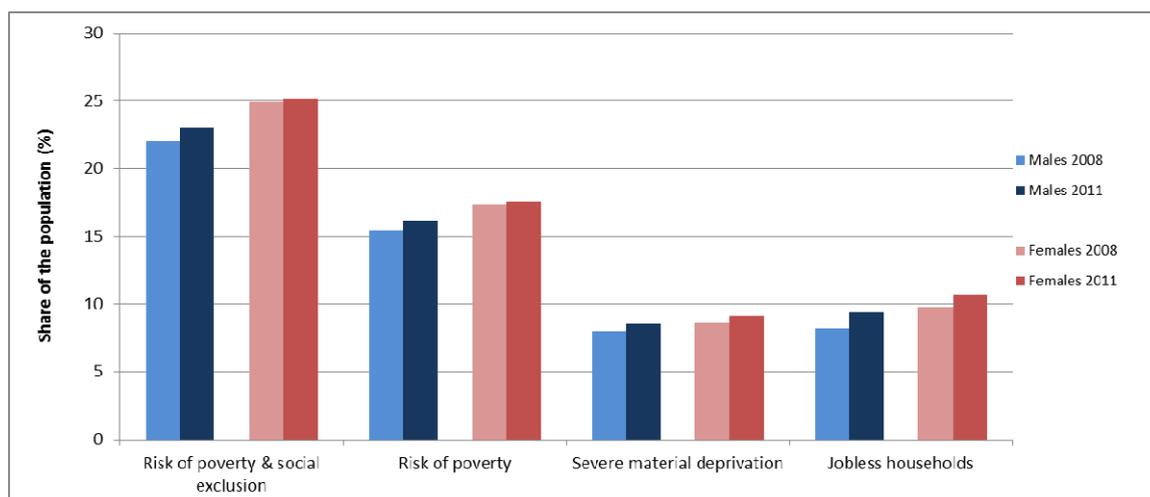
Source EU SILC 2008 2010

5.2. The gender dimension of poverty and exclusion

Overall, women face a higher risk of poverty and exclusion than men. The crisis has not widened this gap so far, since prime age men have been most directly hit by the deterioration of labour market conditions. However, some categories of women face significantly higher relative risks of poverty — such as lone mothers, inactive women of working age (27%), and elderly women over 75 (20.7%). Profiling of populations exposed to the risk of poverty show that women are more often represented in groups facing higher risks of persistent poverty, linked in particular to inactivity and care responsibilities, which have long-term impacts on future pension entitlements. While inactivity rates have not increased so far as a consequence of the crisis, retrenchments or freezes in social spending may hamper female participation and aggravate the situation of the most vulnerable women, depending on which expenditure items are affected (e.g. reducing spending on childcare facilities will hamper the labour market participation of mothers).

⁶⁵ This indicator refers to people who declare that they did not seek health care even if they needed it because it was too expensive, the waiting list was too long or because it was too far to travel (reasons linked to the organisation of the health care system).

Figure 5.4 — Male and female at-risk-of-poverty-and-social exclusion rates, and the underlying three components, 2008 and 2011⁶⁶



Source: Eurostat, EU-SILC.

The greater exposure of women to the risk of poverty and exclusion partly results from the combination of three gender gaps. Women's activity rate is still 12.7 percentage points below that of men (64.9 % against 77.6 % for the 15-64 age bracket in 2011), reflecting persistent gender divisions in household and care responsibilities. A higher proportion of women works part-time, which means that on average women work 17.0 % less hours than men (33.7 hours per week against 40.6 in 2011). Finally, the gender pay gap of 17 % (in average hourly gross wage) is partly due to women earning lower pay for work of equal value, and partly due to women being concentrated in jobs that pay less. As a result, **women's annual gross labour market earnings can be estimated to be 42 % below those of men on average,**⁶⁷ resulting in lower GDP, lower social security contributions and higher risk of poverty in old age (see ESDE 2012). Older widows are particularly at risk, as discussed in section 6.4.

A large share of women entered the labour market as second earners and thereby improved the income situation of households already at work. However, in many countries the women who are furthest away from the labour market (lone mothers, the low-skilled, etc.) still face major barriers to finding a job due to lack of childcare or care for other dependants, or lack of measures to improve the work/life balance. They also often have difficulties in finding a job that pays because of involuntary part-time work, and the combined effect of high marginal effective tax rates and high costs of childcare. Work disincentives for secondary earners due to joint taxation systems in some Member States can also exacerbate this.

5.3. The depth and duration of poverty

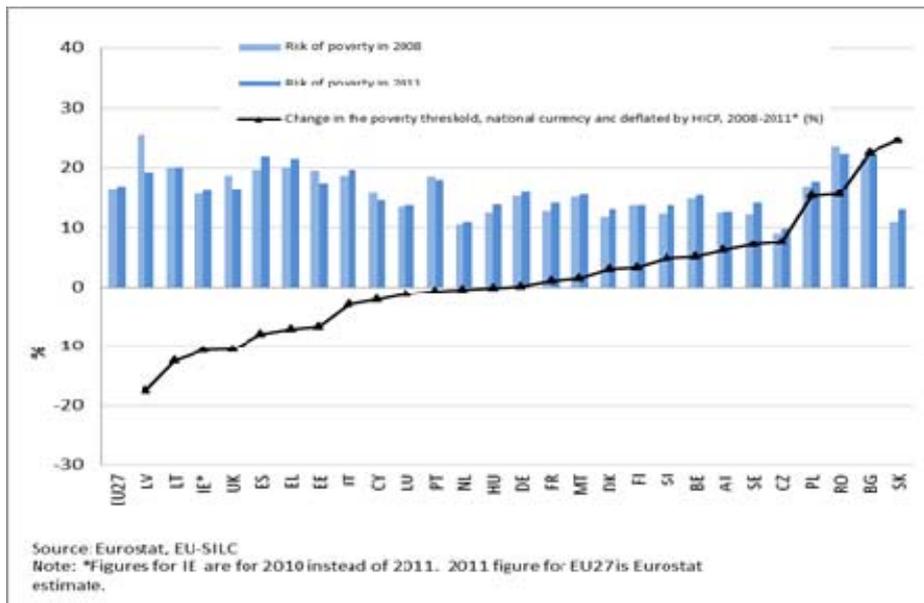
The crisis has increased or is likely to increase the duration and depth of poverty. These deteriorations in the persistence and/or depth of poverty constitute a serious challenge for Member States, requiring more specific actions to prevent the situation deteriorating further and to tackle the deepest roots of poverty.

66 Reference periods for income and activity status for IE and UK differ from the other countries (where the data refers to the previous year).

67 All data refer to EU-27.

While relative poverty remained stable in the EU and in most countries, the poverty threshold declined dramatically in a number of countries, reflecting the general decrease of household incomes. Between 2008 and 2011, it fell by 17.4 % in Latvia, 12.5 % in Lithuania, 10.7 % in Ireland, 8 % in Spain, 7.7 % in the UK, 7 % in Greece and 6.7 % in Estonia. This shows that while their relative situation is not deteriorating, people living on low incomes are facing a serious reduction of their resources that were already considered insufficient to maintain a decent living standard before the crisis.

Figure 5.5 — Developments in the at-risk-of-poverty indicator from 2008 to 2011 and the underlying poverty threshold

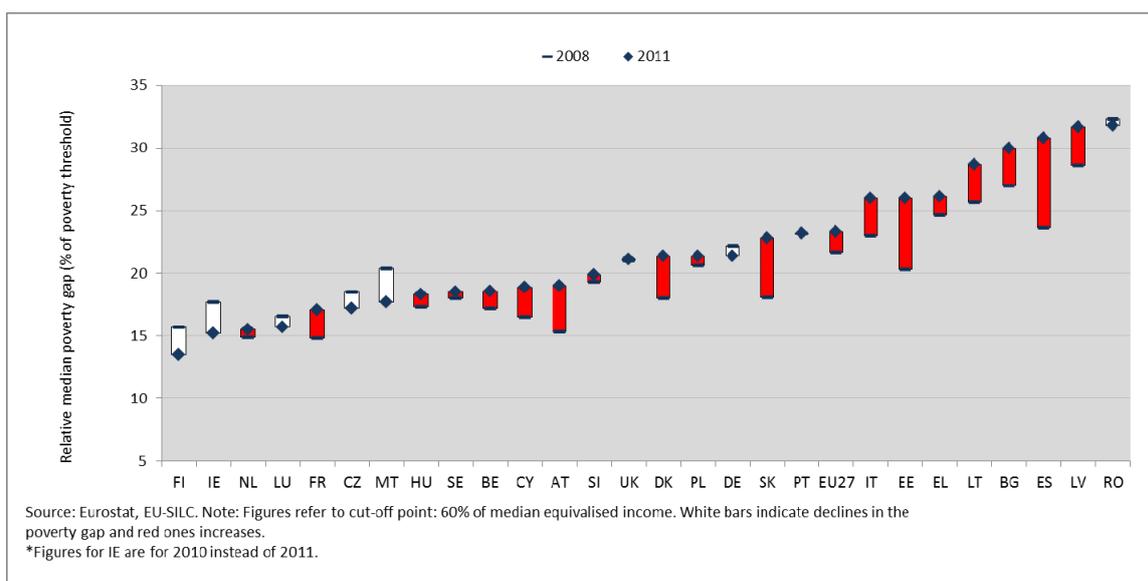


Source: Eurostat, EU-SILC.

Note: Countries sorted by change in deflated poverty threshold.

In many countries, the poor are getting poorer as the gap between the median income of the poor and the 60 % threshold is increasing (the poverty gap was 23.3 % in 2011, up from 21.7 % in 2008). Between 2008 and 2011, the poverty gap increased for all but a few Member States and with especially strong rises (around 3 pps or more) in high-poverty countries such as the Baltic States, Slovakia, Italy and Spain, as well as in some countries with a low incidence of poverty (Austria, Denmark).

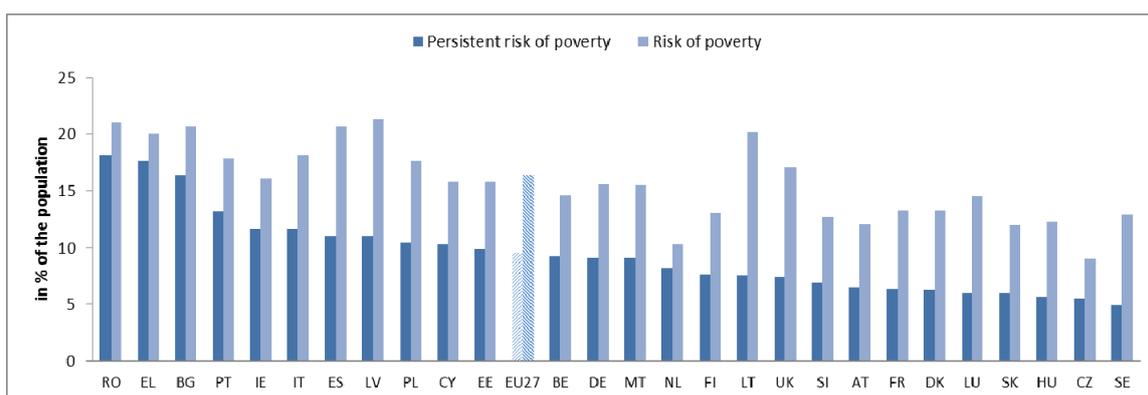
Figure 5.6 — Deepening of the risk of poverty: change in the at-risk-of poverty gap 2008-2011⁶⁸



Source: Eurostat, EU SILC

In 2010, 8.5 % of the working-age individuals were at **persistent risk of poverty**, meaning that they had been at-risk-of-poverty in at least three out of the previous four years (including the last one). Persistent poverty is high (10 % or more) in Italy, Greece, Portugal, Bulgaria, Romania, Poland and Ireland. Young adults, inactive or unemployed women, lone mothers, or older working-age adults out of the labour market are among those facing higher risks of persistent poverty. Typical profiles vary across countries, suggesting that these people face specific structural and institutional barriers in different countries.

Figure 5.7 — Persistent risk of poverty compared to risk of poverty, 2010 data⁶⁹



Source: Eurostat, EU SILC, ilc_li21

68 Figures refer to cut-off point: 60% of median equivalised income, white bars indicate declines in the poverty gap and red ones increases.

69 Data for IE, FR are from 2007 (latest available)

5.4 *The most severe forms of poverty and social exclusion: focus on homelessness, the Roma and migrants*

Homelessness often results from a conjunction of adverse personal, structural and institutional circumstances. The crisis has had a strong impact on both the gravity and the extent of homelessness. There is a growing share of migrants, young people and unemployed or low-income people among the homeless. Women, families and elderly people are also increasingly seeking shelter.

The scale of homelessness is very difficult to fully assess, as homeless people do not show up in traditional data collection processes such as household surveys. However, according to the 2010 Eurobarometer⁷⁰ survey more than 3 million Europeans were at the time afraid of becoming homeless and nearly three out of four Europeans (73 %) thought that homelessness had risen in their country over the last three years up to 2010.

Data⁷¹ collected by municipal, local or national organisations show a general trend towards a growing number of people becoming homeless because of economic hardship. Some countries, e.g. the UK, Ireland and Estonia, despite suffering from recession and the collapse of the housing bubble, managed to contain the spread of homelessness through effective assistance schemes. For a more detailed discussion of the scope and severity of homelessness across the EU and its policy implications, see the Staff Working Document on homelessness as part of the Social Investment Package.

Figure 5.8 — Overview of recent trends in the extent of homelessness over the past 1-5 years

Trend reported	Member State	Total
Increase	AT, CZ, FR, DE, ES, EL, HU, IE, IT, LT, PT, PL, SE, SL, , , UK (England + Wales)	15
Decrease	FI, NL + North Rhine-Westphalia, Scotland	2
No trend identified	RO, LU, BE	3
Stable	DK	1
Total number of Member States examined: 21		

Source: FEANTSA Country Report 2012

Ethnic minorities, including **the Roma**, are not identified in the EU-SILC. However, 2011 survey data provided by the Fundamental Rights Agency (FRA), the United Nations Development Programme and the World Bank show that Roma experience more severe poverty and social exclusion than other groups in the societies in which they live.

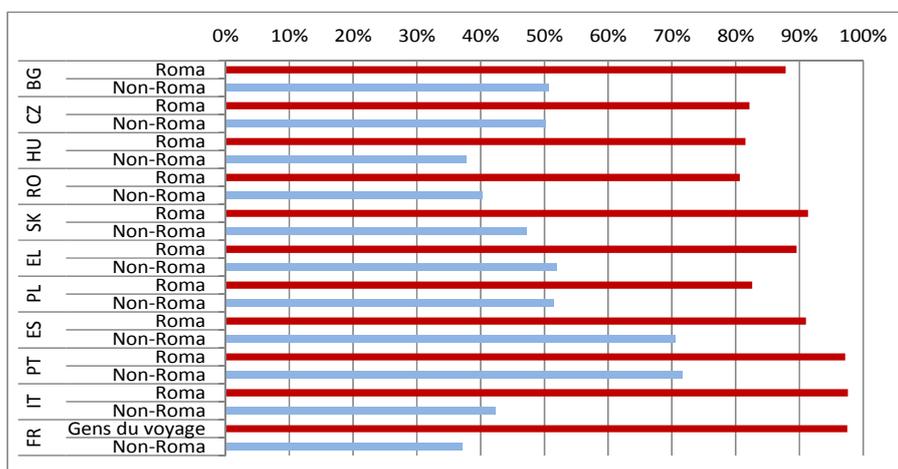
This is due to a complex mix of factors, primarily low educational attainment, low levels of employment, significantly worse health status, and poor housing and living conditions. Moreover, poverty and social exclusion experienced by Roma is often intensified by discriminatory treatment and prejudice.

70 Special Eurobarometer "Poverty and Social Exclusion" EBs355, September 2010, see: http://ec.europa.eu/public_opinion/archives/eb_special_en.htm

71 This section draws on a review of existing data collections by the SSO (http://www.socialsituation.eu/research-notes/SSO%20RN8%20Homelessness_Final.pdf) and a special focus from the European Commission's June 2012 *Employment and social situation quarterly review*

In all 11 EU Member States covered, survey results show that more than 8 out of 10 Roma surveyed are at risk of poverty. The differences between Roma and non-Roma are most marked in France and Italy, where the proportion of Roma living in households at risk of poverty is more than twice as high as for non-Roma living in the same geographic area. The results are also significant in the countries with the largest Roma communities, such as Hungary, Romania, Slovakia and Bulgaria.

Figure 5.9 — 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.

Migrants and mobile EU people in the European Union face considerable obstacles getting jobs and are more often unemployed than native-born populations, especially in the case of non-EU born migrants. The linguistic, cultural and labour market acclimatisation of migrants can be a long process, hampered yet further by other barriers such as discrimination.

The risk of poverty or exclusion among the migrant population remains much higher than among the EU population overall. For people aged 18+ born outside the EU-27, it stood at 37.8% in 2011, compared to 20.8% for those born in the country and 22.2% for those born in another EU country. Between 2008 and 2010, people born outside the EU have seen the **sharpest rises in the risk of poverty or exclusion in Spain (a 3 pps increase)**, while in France and Italy, citizens from other EU Member States have been worst affected (see ESDE 2012).

5.5 *The economic returns on social investment and the costs of unemployment, poverty and social exclusion*

Poverty and social exclusion are linked to adverse health,⁷² lower literacy, poor school performance for children, higher stress levels for families, and more crime and social unrest. Efforts to illustrate or quantify the costs of unemployment, poverty and social exclusion generally refer to higher public health care costs, increased policing and crime costs, foregone economic activity, lost wages and productivity, lost tax revenues and the

72 European Commission Staff Working Document – 'Investing in Health' SWD(2013) 43

intergenerational costs that flow from the likelihood that a significant number of children from disadvantaged families will remain disadvantaged over their lifetimes. Accordingly, a comprehensive approach to the costs of unemployment, poverty and social exclusion would require a very broad range of effects to be taken into account.

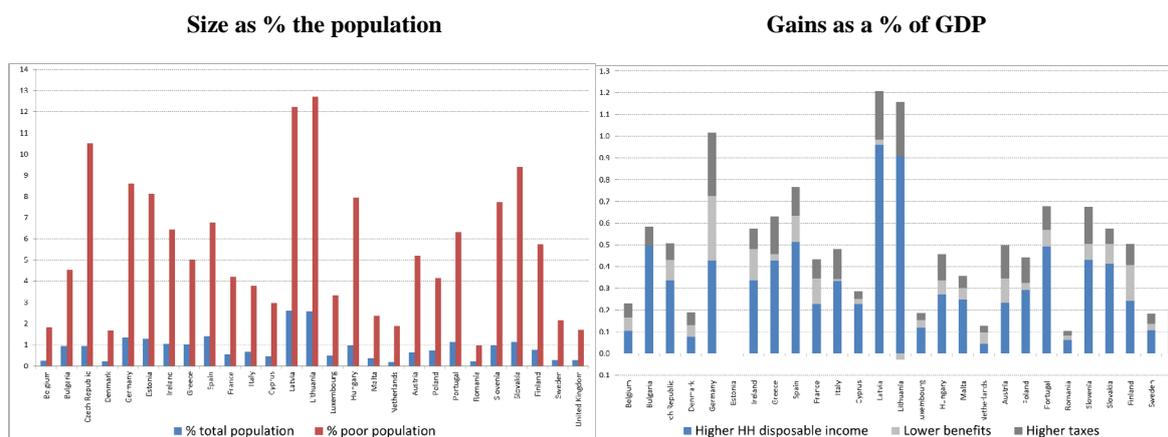
A first step in this direction can be to focus on the *opportunity* costs (accounting for the direct economic loss in labour market incomes) and the related additional public resources (benefits and taxes) rather than on the overall general costs of poverty (for instance health and crime outcomes, intergenerational transmission of poverty, or life course impacts on children experiencing poverty).

From this perspective, the gain that some people would experience from having better access to the labour market can be reflected in their higher labour market incomes. The assessment can reflect the general economic impact (higher individual value added translating into higher wages and higher GDP), distinguishing between both the private side (higher net incomes) and the public side (fewer benefits and higher tax revenue).⁷³ An assessment of the gains associated with the return of people of active age to employment can be derived from EU wide surveys such as SILC. This can be obtained by directly comparing average labour market outcomes (and related benefits and tax levels) of poor and non-poor people having the same characteristics (such as education, age, sex, household type) or by relying on matching methods, thus enabling estimates that better reflect the heterogeneity of situations, as well as actual assessments of the overall impact on poverty rates (linked to possible changes in the median incomes).⁷⁴

73 It can be noted that such an approach remains however partial. From an economic point of view, it notably disregards the multiplier impact of additional private consumption or additional public investment, as well as the impact of possible overall lower taxes or public debt. It also doesn't reflect the potential change in the take-up of some in-kind benefits – such as child care or health – and neither changes in the payments of employers' contributions or indirect taxes such as VAT.

74 This type of approach may also be used for other types of social protection and social inclusion policies, for instance, providing estimates on the return of child care facilities, or on changes in marginal tax rates for different types of situation (for instance for pension take-up or second earners).

Figure 5.10 — Estimates of the opportunity cost for the poor and unemployed aged 25-59 (size of the population and gains in % GDP)⁷⁵



Source: EU-SILC 2010 — SSO calculations.

Note : 'size' refers to the number of people affected (i.e., poor unemployed people who are coming back to work), or in other words the shock expressed as a % of total population or total poor population. 'Gains' refers to the opportunity costs of poverty (or gains of moving out of poverty), associated with the corresponding shock (as a % of GDP).

For instance, the impact of poor unemployed people getting jobs is estimated to account for around 1% of GDP in some Member States and to 0.5% of GDP or more in over half of the Member States (see Figure 5.10). Relying on micro-simulation tools, such as Euromod would enable more accurate estimates to be made, since actual changes in benefits and tax levels could be accounted for after changes in attachment to the labour market, through simulations of employment shocks (for instance among the working poor, or the unemployed or inactive poor).

Estimations of the return from measures to encourage people into jobs could be derived from an assessment of the economic gains if some categories of poor people get jobs, by comparing estimates of the cost and efficiency of various measures such as active labour market policies.

Broader approaches to estimating the economic returns on social investment have been the focus of various studies. For instance, a Commission study⁷⁶ from 2002 estimated the return on investment in human capital at the microeconomic and macroeconomic levels. The study suggests that an additional year of schooling increases wages at the individual level by around 6.5 % across European countries. Similarly, a year of training is estimated to increase wages by as much as 5 %. At the macro level, the study suggests that an extra year at the intermediate level of education — all other things being equal —

75 The size of the population poor and unemployed population at the time of the survey (2010) and of the population unemployed for at least one month over the reference income year (generally 2009) ranged around 1% (or above) of the overall population in BG, CZ, DE, EE, IE, EL, ES, LV, LT, HU, PT, SI and SK. It corresponded to more than 10% of the overall poor population in CZ, LV and LT. Estimates of the gains are obtained by comparing average labour market incomes, benefit levels (excluding pensions) and (direct) taxes across 24 categories (accounting for sex, education in three levels and household composition in four levels — single with or without children, two or more adults with or without children) of poor unemployed and non-poor employed people (with overall incomes between the poverty threshold and the median income) and are grouped together in three categories : higher household disposable incomes, lower benefits and higher taxes. In one country (LT), non-poor employed people show on average slightly higher average benefits levels than poor unemployed people.

76 Ciccone, A. and de la Fuente, A. (2002) 'Human capital and a knowledge-based economy' at: <http://www.antonioiciccone.eu/wp-content/uploads/2007/07/humancapitalpolicy.pdf>

increases aggregate productivity by about 5 % immediately and by a further 5 % in the long term.

A December 2011 Eurofound study estimates the economic cost of the group of young people that are not in employment, education or training (NEETs, who represented 13% of the 15-24 in 2010) in 21 EU countries. The yearly total cost for these countries amounts to approximately €100 billion, which corresponds to 1% of their aggregated GDP. It can be split into €4 billion in foregone earnings and €7 billion in excess transfers. Authors note that the estimation is restricted to the current cost only (in 2008) and may be an underestimate of the real cost of NEETs, as additional costs for health, criminal justice and unpaid taxes on foregone earnings are not included in the definition used.

Recent evidence gathered by Bell and Blanchflower (2011) highlights the long-term scarring effects of youth unemployment in terms of both career and earnings prospects for the individuals, and wasted human capital of a generation affected by the crisis. Their results show that entering the labour market during a recession often leads to substantially lower lifetime earnings for graduates and increased risks of ending up in lower-level occupations. They emphasise the delayed negative impacts of unemployment when young on well-being, health status and job satisfaction, pointing out that short-run government savings may be at the cost of increased future expenditures associated with the negative effects of youth unemployment and reduced well-being.

A UK study⁷⁷ estimates that by reducing youth unemployment, up to £10 billion per year could be saved. It takes account of spending on unemployment benefits (-€1.2 bn per year), lost productivity (-€6.9 bn per year), the cost of crime (-€1.2 bn) and the cost of educational underachievement (-€2bn for those aged 17-24). In the UK, the Joseph Rowntree foundation⁷⁸ estimated that child poverty costs at least 2% of the GDP, £25 billion a year, including £17 billion that could accrue to the Exchequer if child poverty were eradicated.

6. RISKS OVER THE LIFE COURSE AND OPPORTUNITIES FOR INTERVENTION

The risk of social and economic disadvantage occurs at different stages in the life course but often builds upon earlier experiences and is compounded over time.

Numerous studies show that children growing up in poverty have lower education achievement scores, and that the gap between their scores and those of students from higher-income backgrounds widens over time.⁷⁹ Levels of educational attainment for students from low-income backgrounds are also lower, resulting in a higher risk of unemployment and lower future earnings potential later in life. Unemployment and low earnings during prime years continue to have an impact on a person's situation in old age, as low pension contributions often affect the level of pension available upon retirement.

77 Prince's Trust (2010) *The cost of exclusion: counting the cost of youth disadvantage in the UK*. http://www.princes-trust.org.uk/pdf/COE_full_report.pdf

78 FEANTSA (2008) http://www.feantsa.org/files/Month%20Publications/EN/Articles_and_documents_related_to_the_Flash/08_12_flash/UK_Child_Poverty_October.pdf

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

6.1 Children

Children are generally more at risk of poverty or social exclusion than the overall population, with a rate of 27.1% as against 24.2% for the population as a whole in the EU in 2011.⁸⁰ Only in a minority of EU countries are children less at risk than the overall population.

Children growing up in 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. This is reflected in the Recommendation on Investing in Children, as part of the Social Investment Package.

While it is difficult to estimate the exact degree of transmission of inequality and disadvantage across generations and how this changes over time,⁸¹ recent evidence suggests that intergenerational inequality could be higher than analysts believed a decade ago.⁸² A recent UK study showed that children of low-income backgrounds have lower achievement rates in school, and that differences in family parental resources widen during the school years. As a result, there are wide gaps between of different income groups as regards achievement at school. Poor performance at school also reduces future earning potential in the long run.⁸³

Another study showed that in England, for instance, the highest-performing 15-year-olds from poor backgrounds lag, by around two years of schooling Pisa literary test scores, behind the highest-performing pupils from privileged backgrounds.⁸⁴ Evidence also shows that growing up in a disadvantaged environment can have a long-lasting negative impact on adult health, and that upward social mobility has very little effect on this.⁸⁵ Yet, as highlighted in the figure below, the degree to which disadvantage is transmitted across generations varies significantly across countries.

80 This indicator is the headline indicator for monitoring the Europe 2020 strategy poverty target. It reflects the share of the population living in a household which is either at risk of poverty, or severely materially deprived, or with very low work intensity.

81 This is due in particular to the lack of comparable longitudinal data.

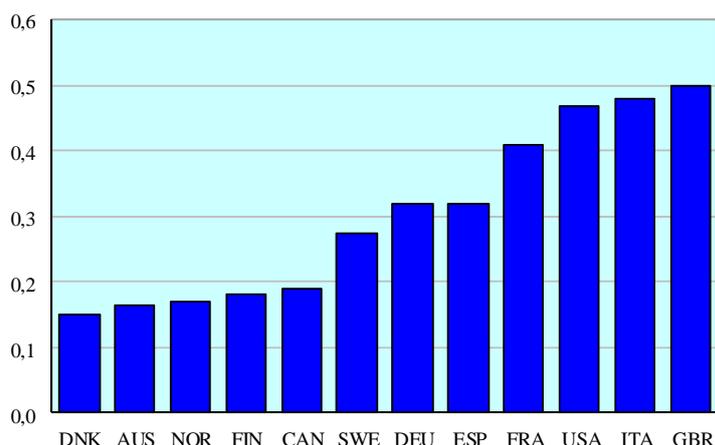
82 OECD (2009) *Doing Better for Children*, 2009.

83 UK National Equality Panel (2010) *An Anatomy of Economic Inequality in the UK*

84 Studied compared students from the top and bottom HISEI quintiles. Jerrim, J 'The Socio-Economic Gradient in Teenagers' Reading Skills: How Does England Compare with Other Countries?' *Institute of Fiscal Studies*, Vol. 33, Is. 2

85 Poulton, R., Caspi, A., Milne, B.J., et al. (2002), 'Association between children's experience of socioeconomic disadvantage and adult health: a life-course study', *Lancet*, Vol. 360, pp. 1640-1645

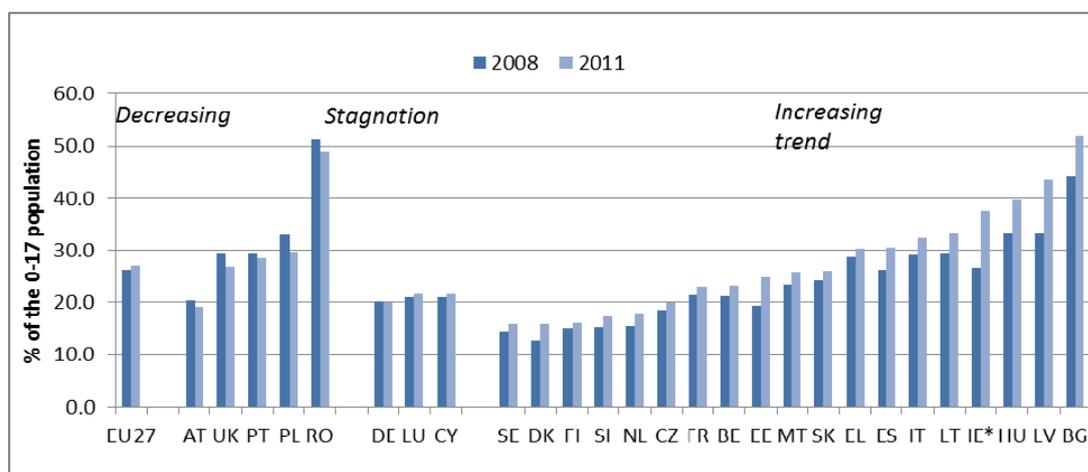
Figure 6.1 — Link between individual and parental earnings varies across various countries⁸⁶



Source: d'Addio (2007)⁸⁷

The crisis has also worsened children's situations in most of the Member States, mainly because of the sharp rise in unemployment that has hit adults of working age. Single-parent households have been worst hit. They face a much higher risk of poverty and social exclusion (above 50 %) compared to other household types. However, even families with two adults and two children were exposed to greater risks of poverty or social exclusion.

Figure 6.2 — At-risk-of-poverty or social exclusion rate in the EU (%), children (0-17), EU-27, 2008 and 2011⁸⁸



Source: Eurostat, EU-SILC

Child poverty results from the conjunction of parental wages that are too low **and inadequate support to households**. Social expenditure targeting children can play a

⁸⁶ The height of each bar measures the extent to which sons' earnings levels reflect those of their fathers. The estimates are the best point estimate of the intergenerational earnings elasticity resulting from an extensive meta-analysis carried out by Corak (2006) and supplemented with additional countries from d'Addio (2007). The choice of empirical estimates in this meta-analysis is motivated by the fact that they are based on studies that are similar in their estimation technique, sample and variable definitions. The higher the value, the greater the persistence of earnings across generations, thus the lower is the intergenerational earnings mobility.

⁸⁷ Quoted in OECD (2010) *Economic Policy Reforms Going for Growth*

⁸⁸ 2010 values instead of 2011 for CY, IE, IT and UK; EU-27 is based on Eurostat estimate for 2011.

supporting role to compensate for the cost of raising a child. However, its impact varies significantly across the EU, resulting in uneven outcomes in poverty reduction and redistributive impact. The role of parental employment and of the tax and benefit systems in preventing child poverty and supporting families with children is analysed in the September 2012 issue of the Employment and Social Situation Quarterly Review, and in the SPC report.⁸⁹

The section below draws largely on these reports.

Parental employment is the main safeguard against child poverty, but sometimes it is not enough. In 2010, 10.7% of the EU working population living in a household with dependent children had an income below the national poverty risk threshold, against 8.5 % of the total working population. In most countries, the family with only one breadwinner is a model that no longer protects its members from poverty. The risk of poverty for individuals in households with low to medium work intensity (typically represented by the one-breadwinner family model) ranges between 15 % and 50 %. Families in which both members of a couple have a job are less likely to be at risk of poverty.

The extent to which **second earners**, often women, take a job is partly determined by the expected income gain, after deducting potential additional taxes, the loss of benefits and the cost of childcare. An OECD study (OECD, 2011⁹⁰) shows that most women entering the labour market as second earners have weak financial incentives to do so. Before including the cost of childcare, many mothers of young children working full-time are unable to increase their family income by even 50 %. Net **childcare costs** are also a critical factor for parents' employment decisions. Compared to a situation in which no childcare is bought, the financial reward from employment is substantially reduced by childcare costs. At low earnings levels, single parents find that childcare costs reduce the returns by as much as 40 %; for second earners, this can be up to 50 %.

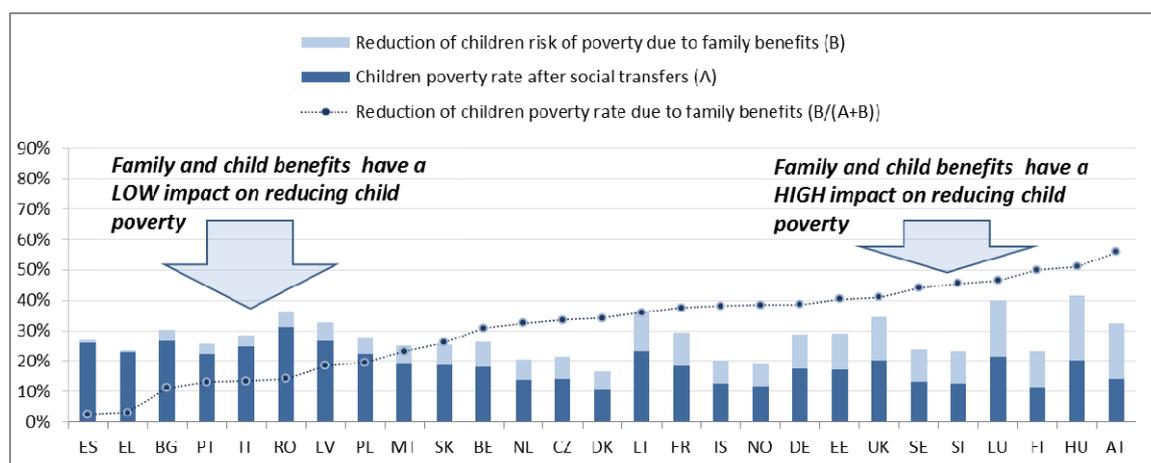
Child and family benefits and, indeed, social protection as a whole have a significant impact on reducing child poverty, by over 40% on average in the EU. However, the impact varies greatly across Member States.

Differences in efficiency can be partly explained by differences in the structure of benefits (e.g. by function) or their design (e.g. combination of universal versus categorical or means-tested, combination of cash or in-kind benefits). Differences in the demographic characteristics of households and in the pre-benefits risk of poverty also matter.

89 Social Protection Committee (2012) 'Tackling child poverty and social exclusion, promoting child well-being', Social Protection Committee, see table p. 27

90 OECD (2011) *Can parents afford to work? An update*. The following text largely quotes the results of this study.

Figure 6.3 — Poverty reduction effect of family and child benefits for children (0-17)



Source: EU-SILC 2010, UDB, DG EMPL calculations; IE and CY not available.

As illustrated above, affordable childcare, along with appropriate tax and benefit incentives, is very important in enabling parents, and especially mothers, to get a job. For children, **quality childcare and other services are essential to their well-being and to help them develop the social, cognitive and emotional skills that can enable them to be successful.** Many Member States are lagging behind the so-called Barcelona targets for childcare set in 2002.⁹¹ Besides, evidence⁹² shows that children from disadvantaged backgrounds, who would benefit most from quality early childhood education and care, are far less likely to benefit from such services. Households on low incomes face barriers in getting access to childcare. These can include eligibility criteria, for instance, if employed parents get priority; lack of services, especially in disadvantaged or rural areas; or services may simply be too expensive. Only one out of two Roma children attend pre-school or kindergarten in BG, EL, HU, IT, PT, SK, CZ, FR, PL, RO, ES on average.⁹³

Health status plays a determining role in defining children's future life chances. There are still many obstacles to good healthcare for children. National and international studies point to the existence and persistence of social inequalities in children's health outcomes and access to prevention in various fields across the EU. The 2009 EU-SILC module on material deprivation found that the rate of children with an unmet need to consult a general practitioner or dentist is much higher among those at risk of poverty or materially deprived. It also found that 11 % of the children at risk of poverty did not eat fresh fruit or vegetables once a day because the household could not afford it, against 3 % for the rest of the population.⁹⁴

Differences in educational performance and in early-school-leaving rates can also be observed by **gender**. In education, the share of low-achieving boys is close to twice the share of low-achieving girls. In almost all EU Member States a lower proportion of boys reaches upper secondary graduation compared to girls and on average early school

91 The Barcelona targets will be used as an indicator in the European Semester

92 Ghysels, J. and Van Lancker, W. (2011) 'The unequal benefits of activation: an analysis of the social distribution of family policy among families with young children' *Journal of European Social Policy*, Vol. 21 No. 5 pp. 472-485

93 European Commission Staff Working Document — *Progress towards the common European objectives in education and training-Indicators and benchmarks-2010/2011*, SEC(2011)526

94 Social Protection Committee (2012) 'Tackling child poverty and social exclusion, promoting child well-being', see table p. 27

leaving is more than 30 % higher amongst boys than amongst girls.⁹⁵ Research on gender and education points to the significance of gender stereotyping in shaping educational outcomes.⁹⁶

Most indicators of **housing quality** underline that children (and consequently families) are at a greater disadvantage than the rest of the population. Almost a quarter of children (and 40 % of children at risk of poverty) live in overcrowded⁹⁷ accommodation, compared to 18 % of the EU population as a whole. Households with children face a slightly higher risk of being overburdened by housing costs, especially in the southern countries. Children at risk of poverty are more likely to be living in unhealthy and unsafe housing conditions.⁹⁸

Almost **1 million children** are estimated to be living in **alternative care**⁹⁹ in the EU.¹⁰⁰ The high number of children from a disadvantaged background in alternative care¹⁰¹ and the reasons they are there are often associated with poverty and social exclusion. This¹⁰² suggests that more support to families at risk would enable more parents in difficult situations to care for their children themselves. If removal from the family is considered as being in the child's best interest, then it is essential that children are placed in a supportive, secure environment that helps them develop to their full potential.¹⁰³ The negative consequences of large residential institutions on children's health and psychosocial development are well known.¹⁰⁴

6.2 Youth

The unemployment rates for **young people** are generally 2.5 times higher than that for the population of working age as a whole. They have been hit particularly hard by the economic crisis. The lack of jobs has been felt particularly severely by young people aged 15 to 24. This has just exacerbated their already weak position relative to other age groups. The unemployment rate for young people reached 23.7 % in November 2012.

95 European Commission Staff Working Document —*Education and Training Monitor 2012*, (SWD(2012) 373 final, 20.11.2012)

96 Eurydice (2009) *Gender differences and Educational Outcomes: Study on the Measures Taken and the Current Situation in Europe*

97 The dwelling is considered overcrowded if one the criteria mentioned below is not fulfilled: - 1 room for the household; plus one extra room for— each couple; —each single person aged 18+; — for two single people of the same sex between 12 and 17 years of age; — for each single person of different sex between 12 and 17 years of age; —for two people under 12 years of age.

98 'Tackling child poverty and social exclusion, promoting child well-being', Social Protection Committee, 2012, see table p. 27

99 'Alternative care' refers to care provided to children deprived of parental care, including:

- (i) informal care: any private arrangement provided in a family environment, whereby the child is looked after on an ongoing or indefinite basis by relatives or by others in their individual capacity, at the initiative of the child, his/her parents or other person without this arrangement having been ordered by an administrative or judicial authority or a duly accredited body;
- (ii) formal care: all care provided in a family environment which has been ordered by a competent administrative body or judicial authority, and all care provided in a residential environment, including in private facilities, whether or not as a result of administrative or judicial measures

100 Eurochild (2010) National surveys on children in alternative care

101 Recent studies have also confirmed the overrepresentation of children of Roma origin in institutions across several EU countries, 'Romani Children in Institutional Care', European Roma Rights Center and Bulgaria Helsinki Committee, 2011.

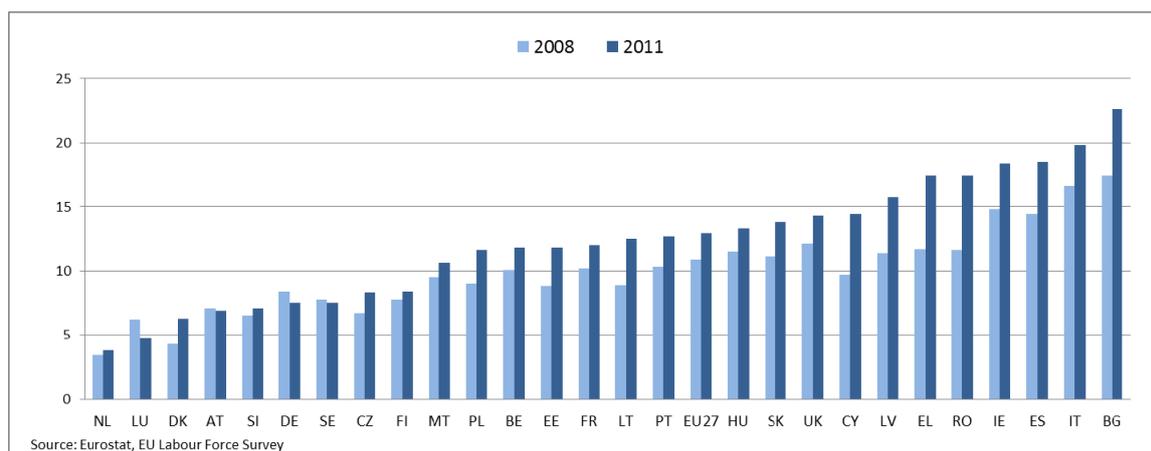
102 In particular inadequate housing, single parenthood, lack of access to welfare, unemployment, lack of access to day-care and specialised services for children with disabilities, children's health condition, stigma and discrimination

103 'Guidelines for alternative care of children', UN framework, 2009

104 K. Browne (2009) 'The Risk of Harm to Young Children in Institutional Care', pp. 9 – 17; Office of the United Nations High Commissioner for Human Rights (2011) 'Forgotten Europeans, Forgotten Rights – The Human Rights of Persons Placed in Institutions'

This raises concerns about the potential consequences and implications of NEET status. The risk of NEET disaffection has been investigated by a Eurofound study¹⁰⁶ exploring the consequences of the social and political marginalisation of youth; it estimated that the cost of NEETs adds up to 1 % of GDP in the 21 EU Member States studied. The analysis also revealed that NEETs have low trust in institutions and a low level of political and social participation. Empirical evidence confirms that NEETs are at a higher risk of disaffection and more likely to withdraw from society. In response to this the European Commission presented a Communication on a Youth Employment Package with concrete proposals and measures aimed at combating youth unemployment, including a proposal for a Council Recommendation on Youth Guarantees.¹⁰⁷

Figure 6.5 — NEET rates across EU Member States (2008-2011)



While NEET status is more linked to low educational attainment and early school leaving, the labour market situation of young people who have recently graduated from education and training has also deteriorated. In fact, the employment rate of individuals aged 20-34 that recently graduated from at least upper-secondary education has fallen by almost 5 percentage points since 2008, to 77.2 % in 2011.¹⁰⁸ This figure highlights the particular difficulty that young people have transitioning from school to employment.

6.3 Working-age populations

Employment rates increased in all EU countries before the crisis. In the same period, the numbers of **working poor** remained unchanged **and** the number of people living in **jobless households** was only reduced marginally, while overall poverty rates were not significantly reduced. The jobs created often did not reach the most excluded, or did not provide decent living standards. These trends were mainly due to a growing gap between job-rich and job-poor individuals and households, and to disparities in earnings and working conditions among workers.

Education and skills level is a major factor in employment. In 2011, the long-term unemployment rate was more than four times higher for those with lower education

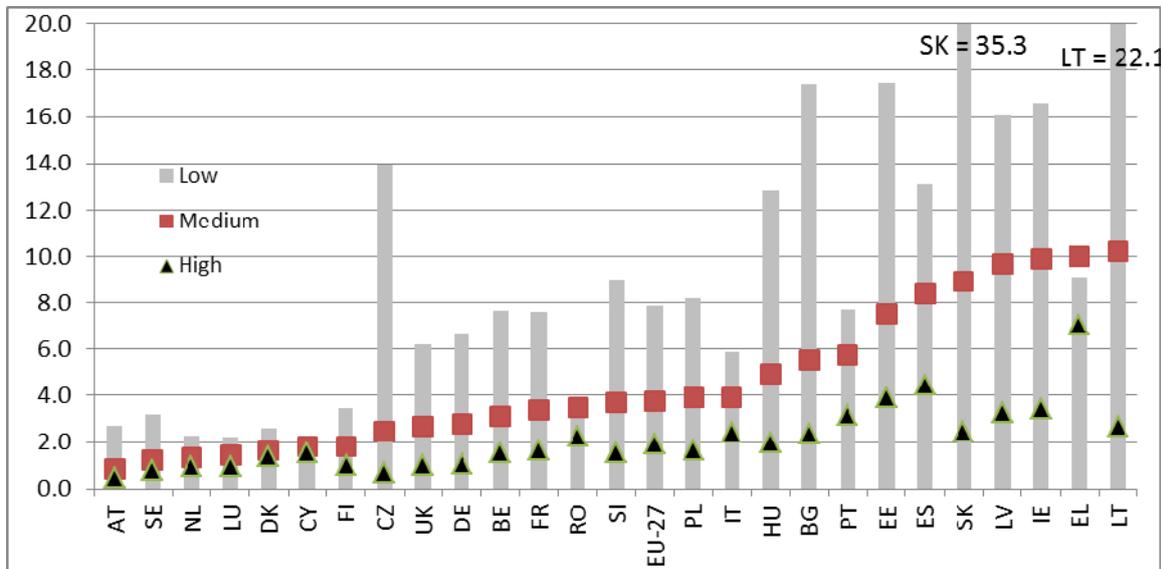
106 Eurofound (2012) 'Young people and NEETS in Europe: First findings', *European Foundation for the Improvement of Living and Working Conditions*

107 See: <http://europa.eu/newsroom/calendar/event/408085/commission-presents-a-communication-on-a-youth-employment-package>

108 The European Council approved in May 2012 a benchmark highlighting the importance of the youth transition phase from education to employment. In particular, the benchmark states that "By 2020, the share of employed graduates, 20 to 34 years old having left education and training (at levels ISCED 3-6) no more than three years before the reference year, should be at least 82%".

levels (7.9 %) than it was for the highly educated (1.9 %) and more than twice as high as it was for those with a medium education level (3.7 %).¹⁰⁹

Figure 6.6 — Long-term unemployment rate by educational level, as a percentage of the active population, 2011¹¹⁰



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

Having a job however does not always avert the risk of poverty, however. The working poor account for a third of adults of working age at risk of poverty. In 2010, 8% of those in employment were living under the poverty threshold.

In-work poverty significantly increased in a third of EU countries between 2006 and 2010. They included Germany (+2pps), and the Netherlands and Denmark, where labour market reforms (e.g. wage moderation) and reforms of the tax and benefits system contributed to bringing more people into jobs, but did not always provide them with a living wage. Since 2000, there has been a growing trend towards temporary work, part-time work (including situations where that is all the employer offers, rather than being the choice of the employee) and sometimes stagnating wages. Taken together, these factors have increased the number of people on low yearly earnings. These trends particularly affected women and the young. It is also important to note that in many countries, such jobs are not stepping stones towards better ones — they are so-called ‘dead-end jobs’ (see ESDE 2011 — chapter 4).

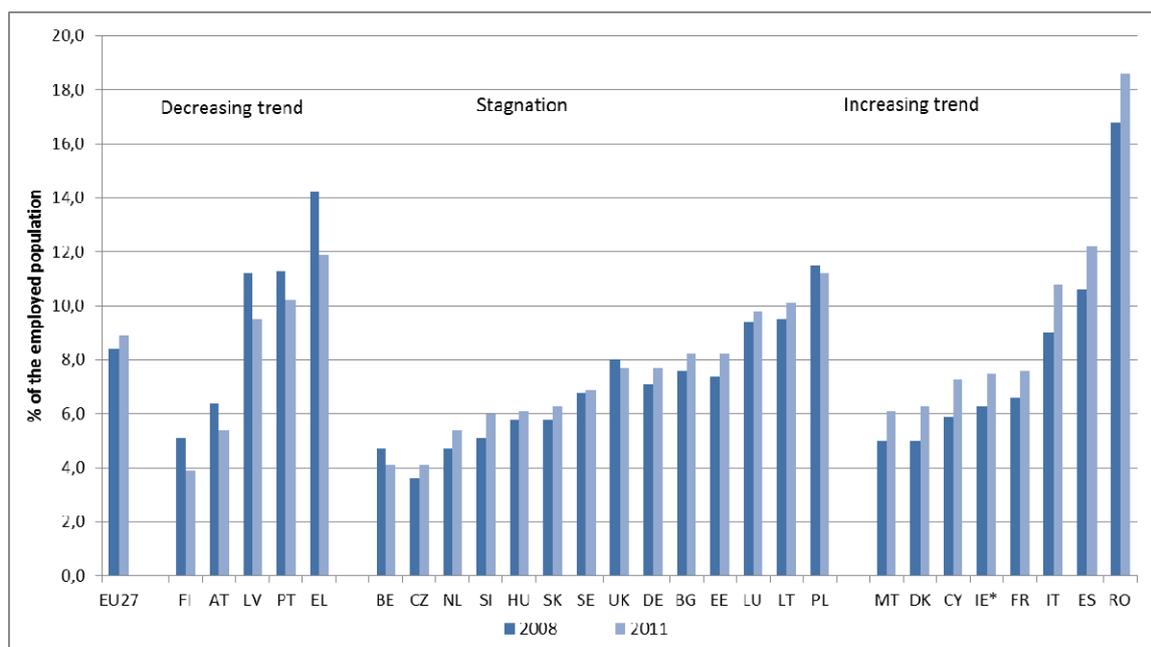
In-work poverty is linked to aspects of poor-quality jobs, such as low pay, low skills, precarious employment and under-employment. In-work poverty is also related to **low work intensity** in the household, i.e. situations where there are too few adults working in the household, or not working enough to earn a living (working too few hours or for only part of the year). Among these, single-parent households where the parent is not working full-time, and single-earner families face the highest risks of poverty.¹¹¹

109 The classification of educational levels is based on ISCED: low level of education means ‘at most lower secondary’ (ISCED 0-2), a medium level of education means ‘upper secondary and post secondary (non tertiary)’ (ISCED 3-4), and a high level of education means ‘tertiary education’ (ISCED 5-6).

110 MT: data not publishable due to the sample size being too small.

111 An in-depth analysis of the drivers of in-work poverty and the policy instruments that can best be mobilised to tackle it is available in the European Commission Staff Working Document ‘Follow-up on the implementation by the Member States of the

Figure 6.7 — In-work poverty: at-risk-of-poverty rate of persons employed, change since 2008¹¹²



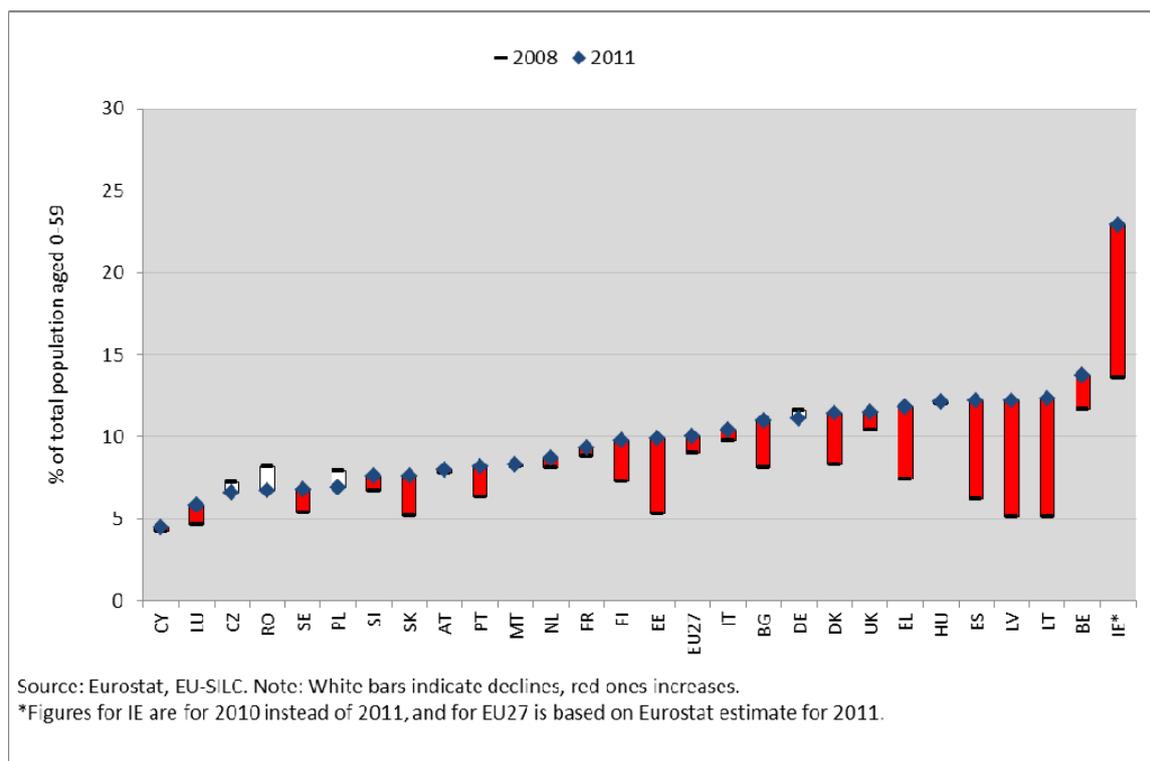
Source: Eurostat – EU-SILC.

The last decade has also seen the persistence of groups that remain outside or on the fringes of the labour market, often facing multiple barriers to getting a job. Low skills, care responsibilities, age, a migrant background, and other factors of discrimination are among these. Those worst-off are in households in which nobody works. In 2010 in the EU-27, 9.9% of children and adults of working age were living in jobless households (i.e., in households with zero or very low work intensity), against 9% in 2008. The crisis has already started to increase the number of families having to rely entirely on social benefits.

2008 European Commission recommendation on active inclusion of people excluded from the labour market – Towards a social investment approach' SWD(2013) 39

112 The income reference period is a fixed 12-month period (such as the previous calendar or tax year) for all countries except the United Kingdom for which the income reference period is the current year of the survey and Ireland for which the survey is continuous and income is collected for the 12 months prior to the survey. 2010 values instead of 2011 for IE ; EU27 is based on Eurostat estimate for 2011.

Figure 6.8 — Developments in the share of people living in jobless/very low work intensity households across EU Member States, 2008-2011

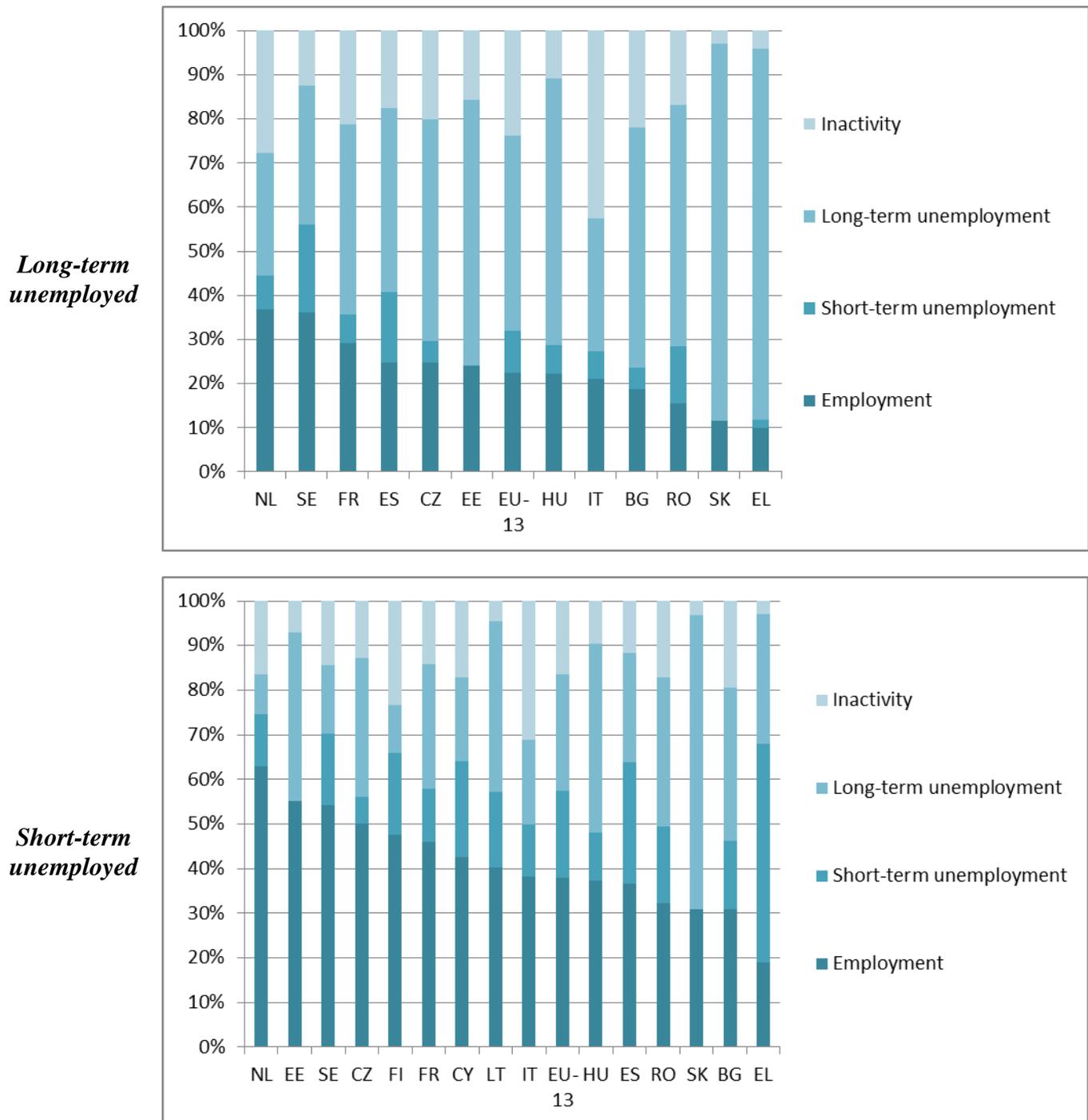


Experience from past crises shows that the numbers of those affected by **long-term unemployment** or inactivity tend to persist long after recovery has set in.¹¹³ The main reason for this is the loss of human capital and skills caused by long periods spent out of work. In 2011, nearly 10 million unemployed Europeans (accounting for 4.2% of the active population) had been out of a job for more than 12 months. This is an increase of 3.7 million or 60.8% in comparison to 2008. Trends in long-term unemployment are becoming increasingly diverse among Member States. Between 2008 and 2011, the long-term unemployment rate rose in almost all Member States, with a particularly strong rise (more than 5 pps) in Greece, Spain, Ireland and the Baltic countries.

Since 2008, the probability of someone unemployed finding a job has decreased in most countries, for both the short- and the long-term unemployed. This trend has been particularly marked in Spain (from 50% to around 30%) and Greece (from 25% to 15%). On the other hand, the rate has remained stable in the Netherlands and has improved in the Czech Republic and Estonia. The risk of those who have a job falling back into unemployment has also risen. In Spain, Greece and Cyprus (but also in Sweden and Finland) there is a high risk of short spells of unemployment recurring, because of the large number of temporary contracts.

113 Social Protection Committee (2009) Growth Jobs and Progress in the EU: A contribution to the evaluation of the social dimension of the Lisbon Strategy. See: <http://www.ec.europa.eu/social/BlobServlet?docId=3898&langId=en>

Figure 6.9 — Transition rate from unemployment: situation one year after unemployment, by duration in unemployment, in 2010-11, aged 25-49, EU-13



Source: Eurostat, EU-LFS, DG EMPL ad-hoc calculations.

The lingering effects of the crisis and the rise in long-term unemployment have sharply **increased the risks of long-term exclusion**. Evidence¹¹⁴ shows that, before the crisis (2005-2009), the risks of entering and exiting poverty varied greatly across Member States. There are three main groups of countries:

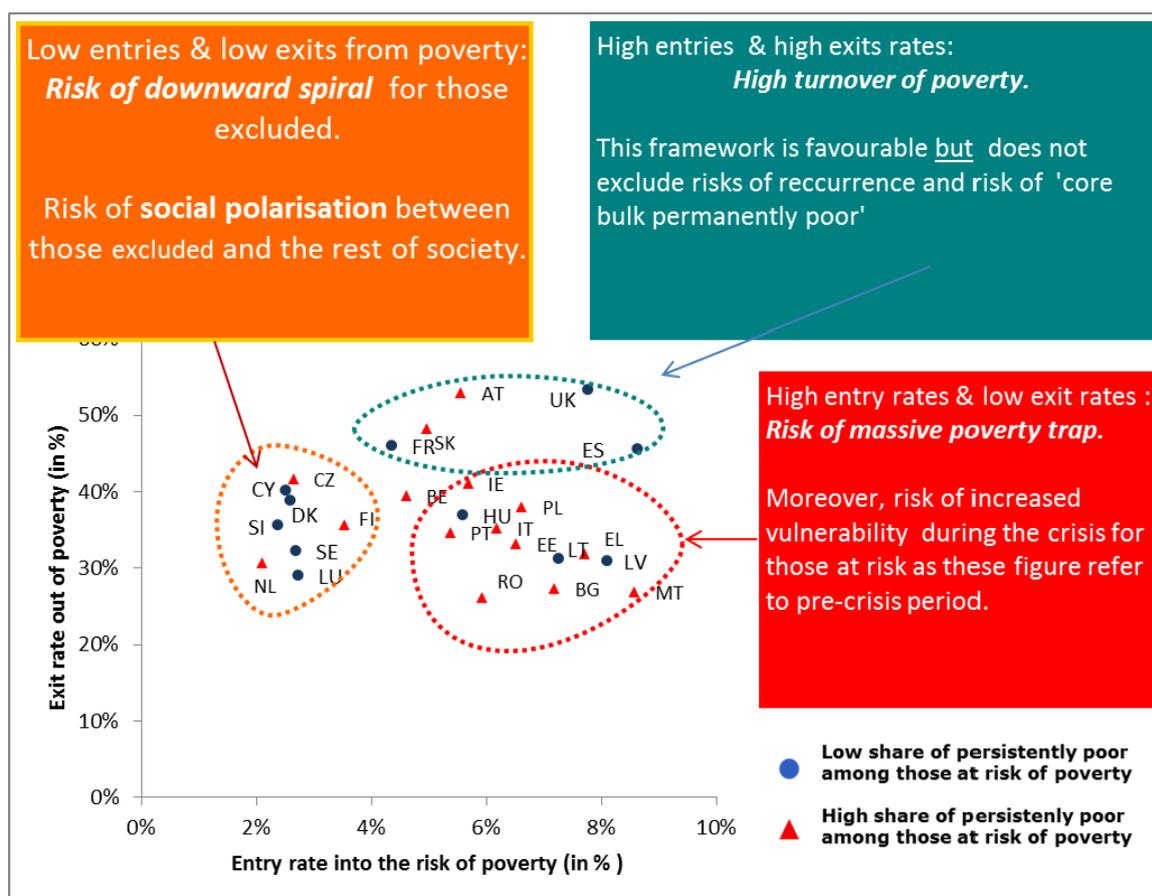
114 European Commission (2012) *Employment and social developments in Europe 2012*

Group 1: Austria, France and the UK. Rates of **entry into and exit from poverty are high**, although in some of these countries, a significant share of those at risk of poverty form a ‘core group’ that does not take part in the churning.

Group 2: Baltic States, Bulgaria, Greece, Italy, Malta and Spain. There is a **high risk of entering into poverty, and low chances of getting out of it**, creating a massive poverty trap. The evidence relates to pre-crisis data; the trap has certainly got worse since.

Group 3: Nordic and Benelux countries. **Rates of entry into and exit from poverty are low**. However, the proportion of people at risk of persistent poverty is high, which may be a sign of social polarisation, with a group of people trapped in poverty.

Figure 6.10 —Share of persistent poor crossed with entry and exit patterns



Source: EUSILC LONGITUDINAL UDB 2009 version 3 of August 2012; DG EMPL calculations

6.4 Older people

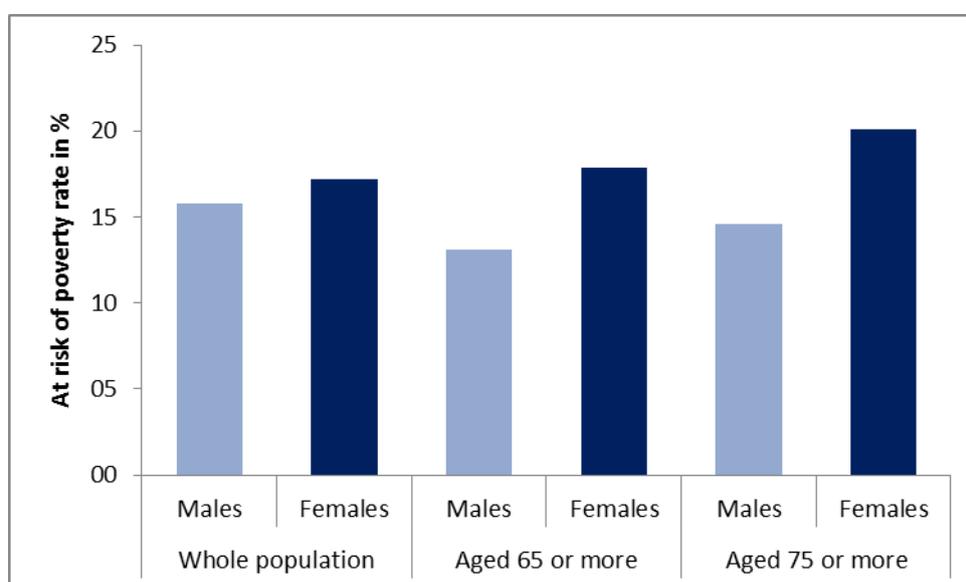
In half the Member States, the oldest generations (aged over 65) face a lower risk of poverty than the population as a whole. But the risk of poverty is relatively high for the elderly in Cyprus, Bulgaria, Greece, the United Kingdom, Slovenia, Spain, Belgium and Portugal. However, the at-risk-of-poverty rate does not take into account housing

costs,¹¹⁵ and might, in some cases, overestimate the extent of poverty among the elderly as they often own their own housing, so do not have mortgage repayments or rent to pay.

The oldest tend to live on lower incomes and those aged 75 and over tend to be at greater risk of poverty. This reflects the lower levels of payments from pension systems developed in the 1950s and 1960s. It can also be attributed to lower accrued pension entitlements and a lower number of years worked, especially among women.

The gap between men and women facing poverty varies with age. It is clearly worse for people over 65 than it is for younger generations. Differences in life expectancy mean a rise in the number of widows and therefore single women. Because they have worked a lower number of years than men, older women often receive lower pensions, though in many Member States, survivor's pensions do give widows some protection from poverty.

Figure 6.11 — The risk of poverty for elderly people by gender,¹¹⁶ EU-27, 2011



Source: Eurostat, EU-SILC, 2011

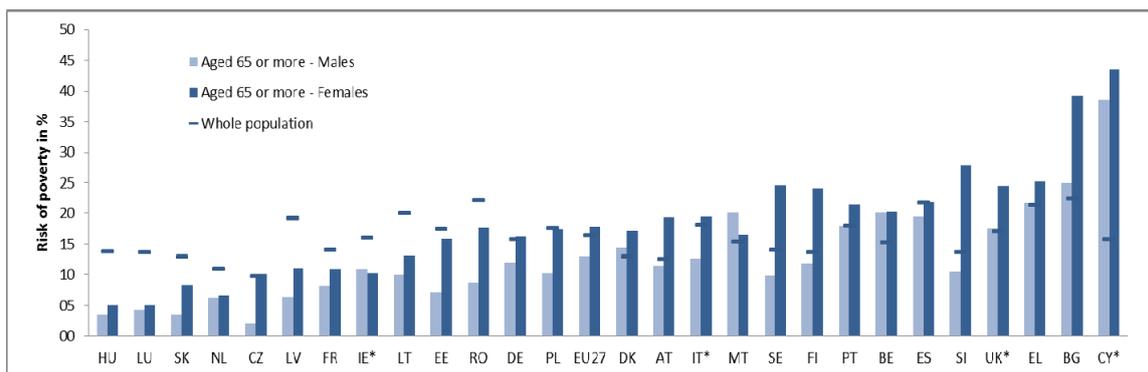
Men's pension incomes are usually higher than women's. The gender pension gap is due to differences in employment rates and employment conditions during working life, e.g. the gender pay gap, and an unequal distribution of roles when it comes to looking after others, but can also be due to the design of pension schemes and trends in pension reforms.

More numerous among older cohorts, women are also more exposed to the risk of poverty, but they may receive better replacement rates (i.e., pension as a percentage of pre-retirement labour income) and better returns on their pension contributions since they are the main beneficiaries of minimum, guaranteed and survivor's pensions.

115 Whether or not to include housing costs in the definition of income underpinning the risk of poverty rate has sparked much debate in past years and will probably continue to do so in the future. The conclusion of the SPC indicator subgroup was that such costs should not be included. Indeed, imputing rents is a difficult exercise, especially at the European level. Real estate prices are so heterogeneous across geographical zones that they could induce more bias than correcting it.

116 About a fifth of people aged 65 or older have pension incomes just below or just above the poverty risk threshold, consequently relatively small increases or decreases in their pensions can lead to important variations in the poverty rates of the elderly.

Figure 6.12 — Gender differences towards the risk of poverty in older age groups, 2011¹¹⁷



Source: Eurostat, EU-SILC, 2011

117 Data for IE, IT, CY, UK refer to 2010



Brussels, 20.2.2013
SWD(2013) 38 final

II/II

Social Investment Package

COMMISSION STAFF WORKING DOCUMENT

Evidence on Demographic and Social Trends Social Policies' Contribution to Inclusion, Employment and the Economy

Accompanying the document

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020

{ COM(2013) 83 final }

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{ SWD(2013) 42 final }

{ SWD(2013) 43 final }

{ SWD(2013) 44 final }

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7. SIZES, COMPOSITIONS AND EFFECTS OF BUDGETS FOR SOCIAL POLICIES: SOCIAL INVESTMENT, PROTECTION, AND ECONOMIC STABILISATION.

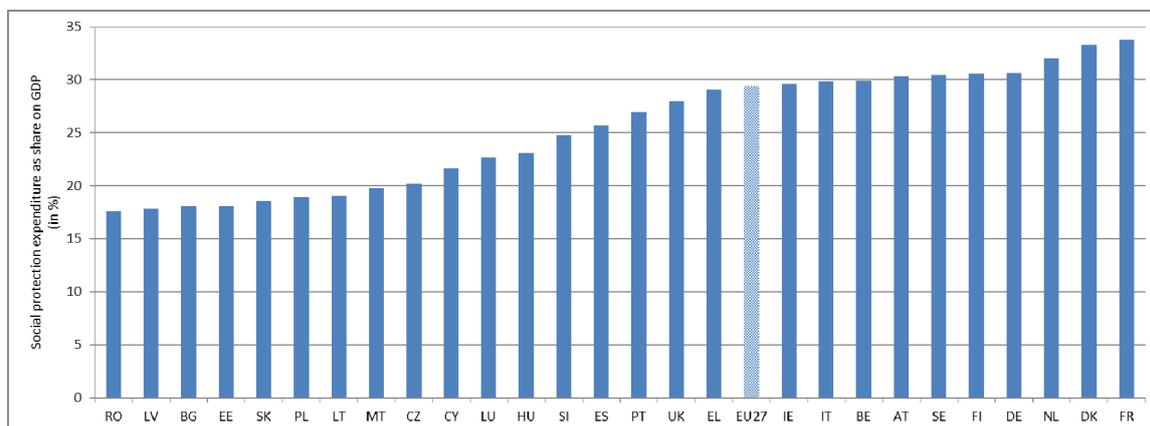
The sizes and compositions of social budgets are very diverse in the EU, reflecting the various national contexts, such as different emphases given to the three functions of investment, protection and stabilisation of social policies. Well-designed adequate and sustainable social policies combining these three functions can indeed lead to efficiency gains and notably better employment and poverty outcomes. In the current crisis, social policies have in general provided strong economic stabilisation, though there are signs of it weakening. There are also significant differences among Member States showing potential for gains in the effectiveness and efficiency of social spending, for instance through investing in early childhood education, the use of activating and enabling policies to tackle poverty and unemployment, and the varying modes of financing of social policies.

7.1. *The sizes and structure of social budgets*

Social systems in EU Member States are very diverse. At EU level, social protection expenditure accounts for almost 30% of GDP, though this varies greatly from around 18% in Bulgaria, Estonia, Latvia and Romania, to as much as 32% in Denmark, France and the Netherlands.¹¹⁸

While all pre-2004 Member States (except Luxembourg) spend at least 25% of their GDP on social protection, all post-2004 Member States spend less than this.

Figure 7.1 — Social protection expenditures in EU Member States in 2010 (% of GDP)

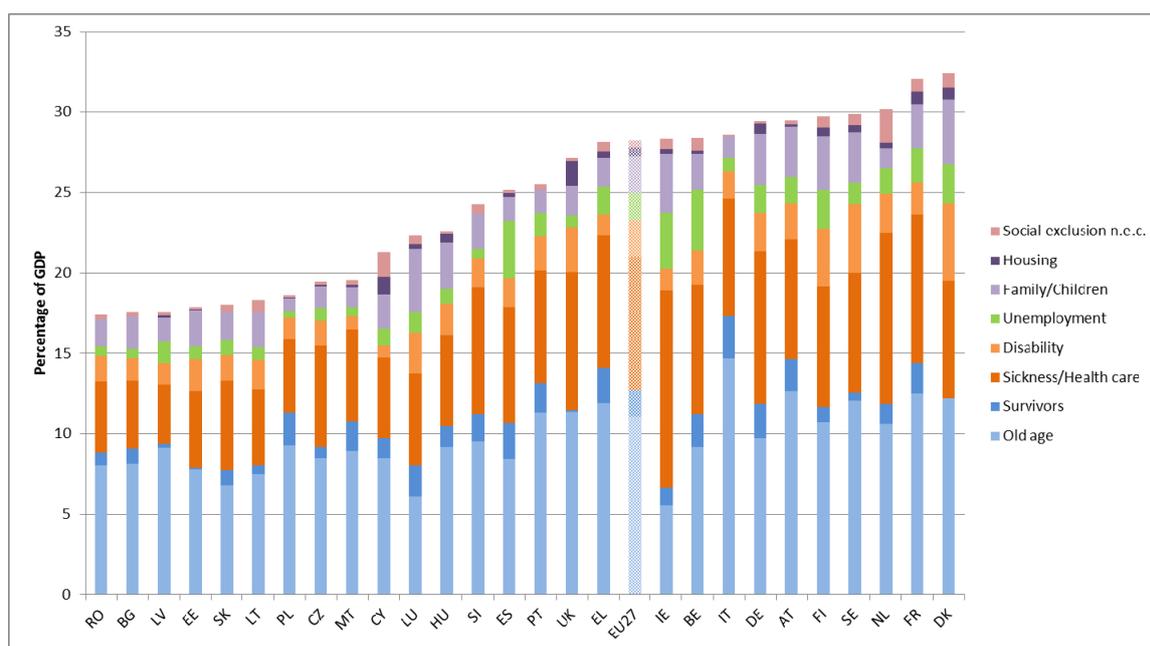


Source: ESSPROS

The make-up of social protection spending also varies greatly. The largest component is **old-age pensions**, accounting in 2010 for 11% of EU GDP, or nearly 40% of EU social protection expenditure. The lowest levels are in Ireland and Luxembourg (only around 6% of GDP), and the highest in Italy (nearly 15% of GDP).

¹¹⁸ For more information on expenditure on healthcare see European Commission Staff Working Document – *Investing in Health* SWD(2013) 43

Figure 7.2 — Expenditures on social protection benefits by function in 2010 (% of GDP)



Source: ESSPROS.

In the EU as a whole, the second-largest budget item is **sickness and healthcare**, which accounts for more than 8% of GDP (or nearly 30% of social protection expenditure), though it ranges from 4% of GDP in Latvia, Bulgaria and Romania to 12% in Ireland and nearly 11% of GDP in the Netherlands.

Spending on **disability** amounts to slightly over 2% of GDP on average in the EU. In Denmark (where the share of social protection expenditure on health care is among the lowest), the share of spending on disability is the highest in the EU (nearly 5% of GDP), while Ireland (where the share of spending on healthcare is among the highest in the EU) has one of the lowest shares of expenditure on disability (slightly over 1% of GDP).

Family/child benefits account for a little over 2% of GDP in the EU on average, ranging from around 1% of GDP in Poland, Malta and the Netherlands to as high as 4% in Denmark, Luxembourg and Ireland.

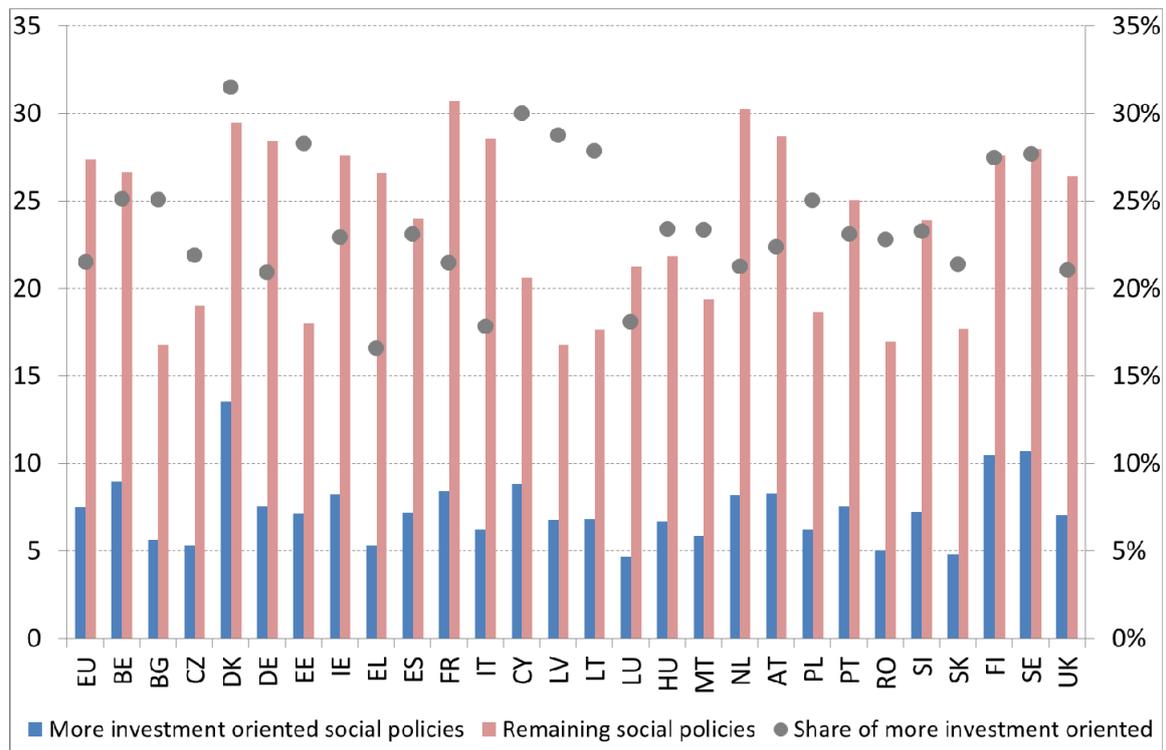
Spending on **unemployment benefits** is below 2% of GDP in the EU on average and ranges from under 0.6% in Poland, Malta and Romania to as much as 4% in Belgium, Spain and Ireland.

The share of the **social investment function** also differs among Member States. While the investment function covers different approaches under the same umbrella, as highlighted by Morel, Palier and Palme (2012) or Van Kersbergen and Hemerijck (2012), it can be misleading to allocate different types of social expenditures specifically to one of the three functions of social policies (investment, protection and stabilisation), though some types of expenditures are more directly linked to the investment dimension of social policies.

An estimation of the size of social investment expenditure can, for instance, be made using the methodology proposed by Hemerijck (2012), which combines active labour market policies, childcare, education, research and rehabilitation as a proxy for social investment expenditures. In this approach, the remaining social protection expenditure such as old-age and survivor's benefits, unemployment-related benefits and disability benefits, healthcare and housing are gathered in a second category of remaining social expenditures.

These estimates highlight that social investment policies have been put into practice to a different extent across Member States, with levels of more investment-oriented social expenditures being higher than the EU average (7.5 % of GDP) in some continental Member States (BE, FR, NL and AT) and in IE and CY and reaching more than 10% of GDP in northern Europe (DK, FI and SE), also reflecting higher overall shares of expenditures in GDP. In contrast, they are relatively low in some southern and eastern Member States (BG, RO, CZ, EL and SK) and in LU. The related share of more social investment-oriented social expenditures reaches 21 % in EU on average and is higher than 25 % in northern Member States (DK, FI, SE) and in the Baltic Member States (EE, LV and LT) and CY. It is lower than 20 % in EL, IT and LU.

Figure 7.3 — More social investment oriented vs. remaining social expenditures in 2010 (% of GDP)



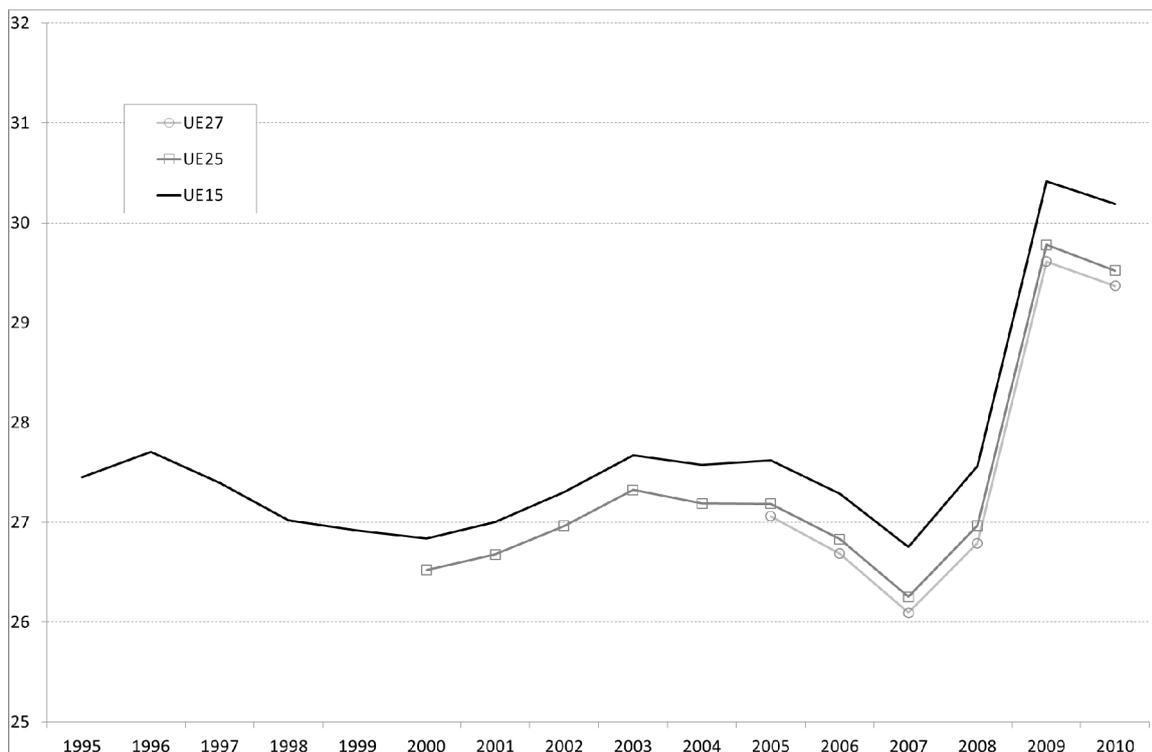
Source: Eurostat, DG EMPL calculations.

Note: expenditures are expressed in GDP percentage points (left axis), while the share of more investment-oriented social expenditures is expressed as a percentage (right axis). More investment oriented social policies combine active labour market policies, childcare, education, research and rehabilitation as a proxy for social investment expenditures.

7.1.1 Trends during recent decades

From the mid-1990s until 2007, social protection expenditure in the EU grew in line with rising overall incomes, with the result that its share remained relatively stable. But with the crisis and a sharp drop in GDP, social protection expenditure played its role of cushioning the effects of the crisis, acting as an economic stabiliser. Spending rose significantly as a share of GDP in 2008 and 2009, while starting to decline slightly with the (temporary) recovery of 2010.

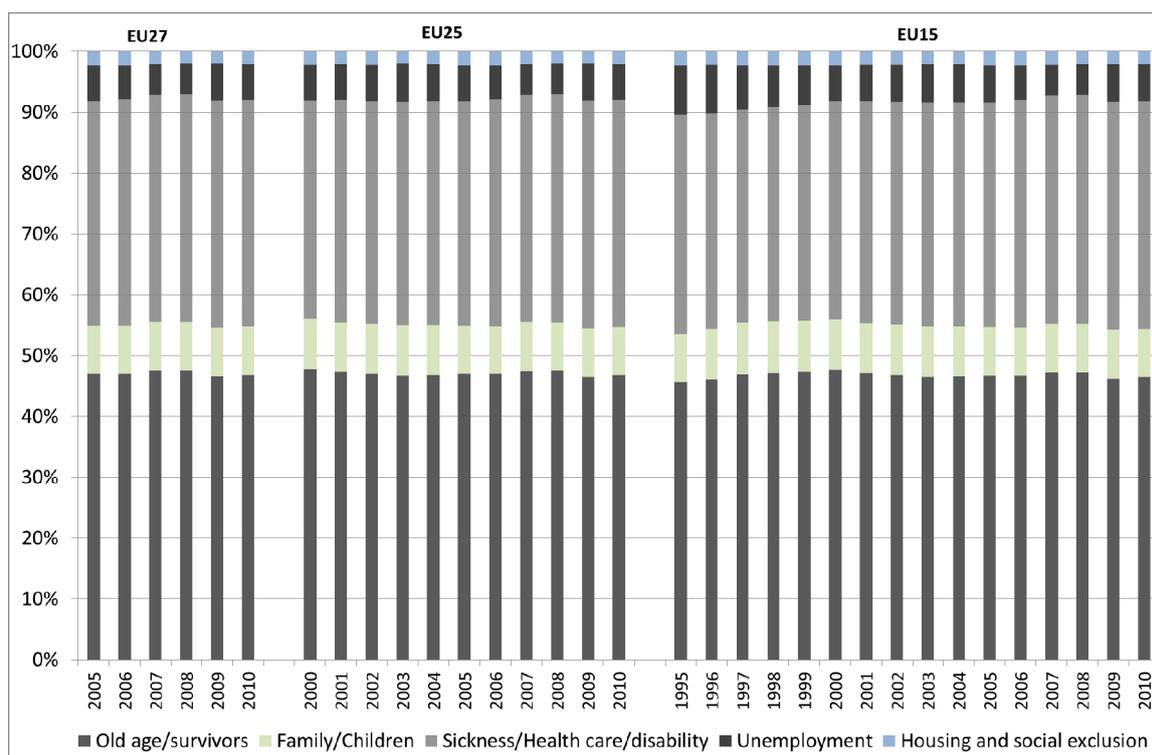
Figure 7.4 — Trends in social protection expenditures (1995-2010, % of GDP)



Source: ESSPROS.

On average in Europe, the structure of expenditure by function remained relatively stable (Figure 7.5). In spite of an ageing population, the share of expenditure on old age and survivors remained virtually stable since 1995, while the share of expenditure on family benefits actually increased slightly. The share of expenditure on housing and social exclusion remained very stable throughout. In the period before the crisis, the share spent on healthcare, sickness and disability benefits rose, while during the crisis unemployment benefits, logically enough, accounted for a growing share of spending.

Figure 7.5 — Trends in social protection structure by function 1995-2010 (as a % of total expenditures)



Source: ESSPROS

7.2. Social policies have contributed to economic stabilisation in the crisis

Social expenditure is a powerful stabiliser of economic activity as it helps to sustain effective demand during slowdowns and more particularly recessions, primarily through sustaining household incomes (through higher benefits as a response to a decline in wages, and via lower taxes), but also thanks to a lower need for increases in precautionary savings during economic slowdowns.

The cyclicity both of total social protection expenditure and of different types of benefits varies significantly across Member States. Unemployment benefits respond strongly to the cycle, followed by social exclusion, housing and family benefits. Pensions are generally considerably less anti-cyclical, as are sickness and disability benefits.¹¹⁹

7.2.1 Social protection significantly helped to mitigate the impact of the crisis

There is strong evidence of the significant role that social spending played in sustaining gross household disposable income during the 2008-2009 recession in most EU countries.¹²⁰ However, while social protection played an important role in mitigating the effects of the crisis, this role came up against clear limits.

In the first phase of the crisis, social protection played an important role in sustaining household incomes. In the eurozone, net social benefits and reduced taxes contributed

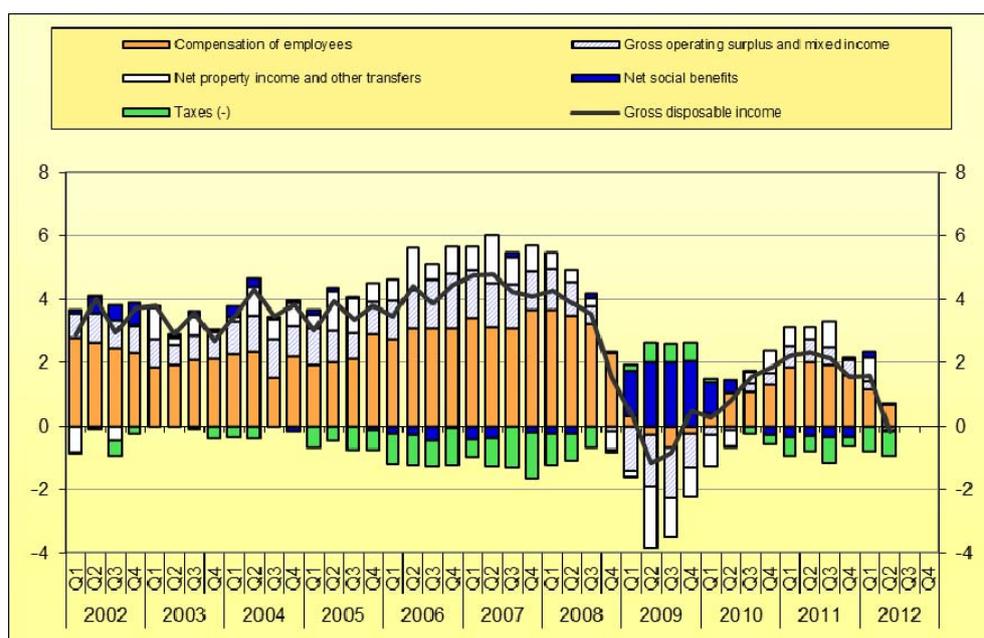
119 See European Commission (2012) *Employment and social developments in Europe 2012*, chapter 3 (Welfare systems) for a detailed analysis of the stabilisation function of social policies by country, highlighting the diversity of the impact of the crisis and of welfare responses across the EU.

120 See European Commission (2012) *Employment and social developments in Europe 2012*

positively to the change in gross household disposable income (GHDI) during 2009 and in the first two quarters of 2010 (Figure 7.6).

However, in the second phase, this effect started weakening. At the end of 2010 and during 2011, the contribution of social benefits to the change in gross household income lessened and started being negative, while in the first quarter of 2012 it was positive again. This may have occurred because of the phasing-out of entitlements, along with some improvement in the economic outlook in some Member States, as well as because of fiscal consolidation measures that reduced the level or duration of benefits, or because eligibility rules excluded some beneficiaries from some schemes.¹²¹

Figure 7.6 — Contributions of components to the growth of nominal gross disposable income of households (eurozone)



Source: Eurostat/ECB

7.2.2 Social protection predominantly sustained households' incomes, though there are signs of weakening

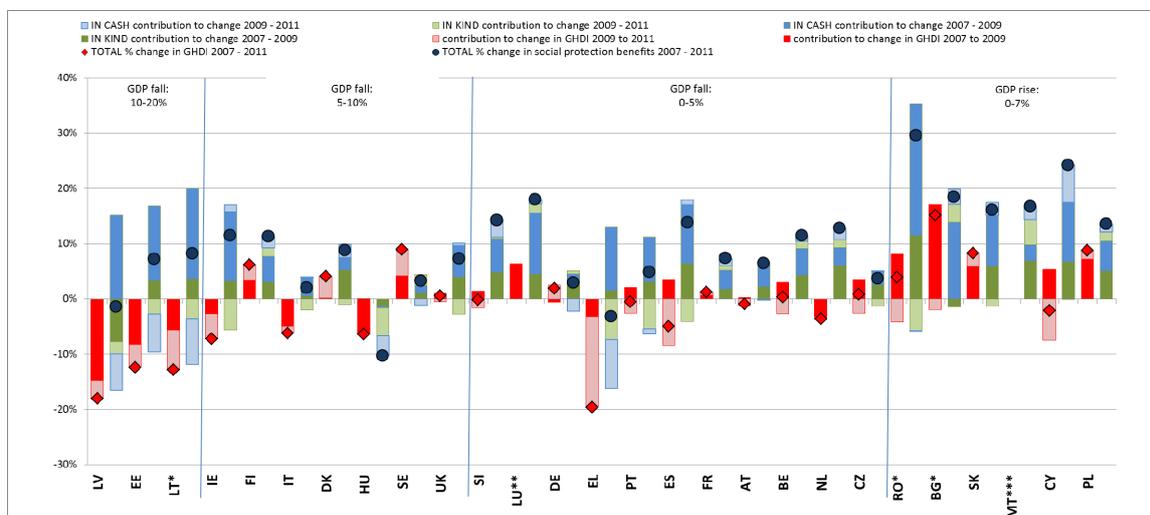
Since the beginning of the crisis, social protection expenditure has gone through two distinct phases, 2007-2009 and 2009-2011, as has gross household disposable income (GHDI, see Figure 7.7). In 2007-2009, cash expenditure increased in all countries covered except Hungary, while in-kind expenditures increased in all except Latvia, Hungary and Bulgaria. Despite this, GHDI decreased in 10 of the 26 Member States for which data are available. The largest declines were observed in Hungary, Estonia and Latvia (between 6% and 15%). Social expenditure was able to cushion the fall in incomes in almost all Member States.

There are significant differences between countries that experienced similar GDP shocks, not only as regards the scale of change in social protection expenditure, but also in the change in GHDI. For instance, while Italy and Finland had similar GDP shocks and increased their cash social protection benefits in a similar proportion, GHDI increased in Finland while it decreased in Italy. In the Czech Republic, spending on cash benefits

121 See European Commission (2012) Employment and social developments in Europe 2012 key features.

increased slightly less than in the Netherlands, but only in the Czech Republic did GHDI rise.

Figure 7.7 — Change in real GHDI and real social protection benefits, 2007–2009 and 2009–2011 (%)¹²²



Source: ESSPROS and National Accounts

Note: Member States are grouped according to the size of the GDP shock in the initial phase of the crisis 2007-2009.

Social protection has been more effective at sustaining households' income during the crisis than overall tax systems (Figure 7.8). Between 2007 and 2009, the positive effect of changes in social transfers on GHDI was three times stronger than that of taxes on average in the EU, but between 2009 and 2011, the effects of both were close to zero.

¹²² For Lithuania, Hungary, Romania and Bulgaria, GHDI data are only available until 2010. GHDI data for Luxembourg are not available for 2009–2011. GHDI data for Malta are not available. National currencies deflated by HICP, DG EMPL calculations.

Figure 7.8 — Impact of social transfers and taxes on GHDI in 2007–2011¹²³

	2009 vs 2007				2011 vs 2009			
	(1a)	(2a)	(3a)	(4a)	(1b)	(2b)	(3b)	(4b)
	Actual change in GHDI (in %)	Contribution of social transfers to change in GHDI (in pps)	Contribution of taxes to change in GHDI (in pps)	Change in GHDI if social transfers and taxes stayed at 2007 value (in %)	Actual change in GHDI (in %)	Contribution of social transfers to change in GHDI (in pps)	Contribution of taxes to change in GHDI (in pps)	Change in GHDI if social transfers and taxes stayed at 2009 value (in %)
DK	0.1	3.4	0.9	-4.2	2.9	4.3	-0.7	-0.7
CY	5.4	0.6	0.4	4.4	-5.2	3.7	0.0	-9.0
IE	-2.8	5.7	4.3	-12.7	-9.1	2.5	-2.4	-9.2
SI	0.8	0.9	-0.4	0.3	-1.7	1.8	0.5	-3.9
ES	3.5	4.7	2.0	-3.2	-6.8	1.0	-0.2	-7.7
FI	3.2	3.4	1.6	-1.8	3.5	1.0	-0.1	2.6
HU*	-6.6	1.4	0.7	-8.7	-4.4	0.9	1.6	-6.8
BG*	17.1	8.7	0.4	8.0	-1.7	0.8	0.1	-2.6
PL	7.2	1.1	0.4	5.7	2.5	0.6	-0.1	1.9
IT	-4.6	1.6	0.3	-6.6	-1.5	0.6	0.3	-2.4
PT	2.1	2.2	-0.2	0.2	-2.7	0.4	-0.3	-2.8
FR	0.8	1.6	0.4	-1.1	0.6	0.2	-0.6	1.0
SK	6.9	1.7	0.7	4.5	2.4	0.2	0.0	2.3
LV	-14.8	7.6	4.0	-26.4	-3.2	0.2	-1.1	-2.2
LT*	-5.6	5.2	5.4	-16.2	-7.6	0.1	0.4	-8.1
AT	-1.4	1.1	0.3	-2.8	-0.9	-0.2	-0.4	-0.3
BE	3.0	1.8	0.7	0.5	-0.1	-0.3	-0.9	1.1
CZ	1.6	4.4	1.5	-4.4	-2.6	-0.4	-0.4	-1.8
NL	-3.1	2.7	-2.1	-3.8	0.1	-0.6	2.0	-1.3
SE	4.4	4.6	3.6	-3.8	3.9	-0.7	0.0	4.6
EL	-3.2	4.1	-0.3	-7.0	-15.7	-0.9	1.7	-16.6
UK	1.0	4.2	1.5	-4.7	-1.2	-1.2	0.7	-0.7
RO*	8.1	5.3	-0.9	3.7	-3.9	-1.4	0.3	-2.7
DE	-0.8	0.9	0.0	-1.7	2.2	-1.9	0.3	3.8
EE	-8.9	8.3	3.0	-20.2	-2.9	-2.2	0.3	-0.9
LU	6.4	2.5	-0.2	4.0	NA	NA	NA	NA
MT	NA	NA	NA	NA	NA	NA	NA	NA

Source: National Accounts, DG EMPL calculations.

Overall in the EU, social protection expenditure was generally rising until 2009, when retrenchments started, especially in countries most in need of fiscal consolidation. Benefits provided in kind (chiefly services) were affected the most. Cutting or freezing the level of services in areas such as healthcare, training, housing or childcare is likely to have a long-term detrimental effect on the employability of workers and on their capacity to participate fully in society. The more fiscally resilient Member States have been better able to preserve such services. This tends to accentuate the large variations that already exist in the effectiveness of social protection systems across the EU. Nevertheless, further research would be needed to better assess the effectiveness of more investment-oriented social expenditures in weathering the effects of the crisis.

7.3 Adequacy of budgets and the scope for efficiency gains

The size, structure and design of social policies all matter for the performance of welfare systems. Well-designed, adequate and sustainable social policies combining the three main functions of social protection are efficient in reaching social and economic

123 Data are only available until 2010.

Actual change in GHDI: GHDI in the last year of the given period is compared with GHDI in the first year of the given period (change is expressed as a percentage).

Contribution of social transfers to change in GHDI: the change in social transfers between the first and last year of the given period is calculated and its contribution to GHDI change is calculated.

Contribution of taxes to change in GHDI: the change in taxes between the first and last year of the given period is calculated and its contribution to GHDI change is calculated.

Change in GHDI if social transfers and taxes stayed at 2007/2009 value: GHDI is computed as the sum of all its components (including social transfers and taxes) with the value from the last year of the given period and compared with GHDI calculated with the initial year value of social transfers and taxes (change is expressed as a percentage).

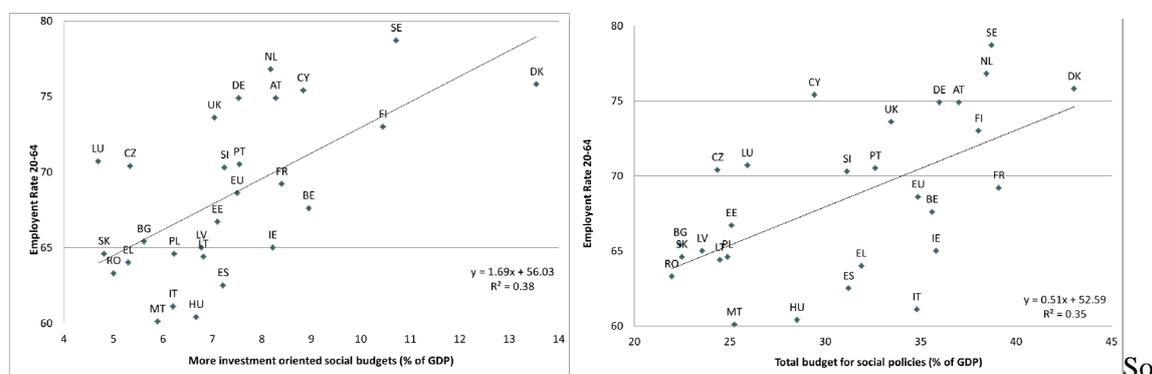
Countries are sorted based on the size of the contribution of social transfers to GHDI change in 2007-2009

outcomes, and can indeed lead to lower poverty and exclusion and better labour market outcomes.¹²⁴

There are nevertheless significant differences among Member States as regards the effectiveness and efficiency of spending on social policies, both in terms of both poverty reduction and labour-market friendliness. This suggests that there is room for efficiency gains. Long-term trends suggest that the countries with the highest welfare spending are not those with the highest public debt.¹²⁵

Building on recent academic work by Anton Hemerijck, it seems that countries with higher budgets for policies that focus more on social investment¹²⁶ and indeed higher total budgets for social policies, are associated with better outcomes in terms of poverty and of employment (Figures 7.9 and 7.10). Countries with higher budgets for more social-investment oriented policies fare better in terms of employment and monetary poverty, suggesting that more investment-oriented social policies may be particularly efficient in raising employment levels and reducing poverty levels.

Figure 7.9 — Social investment and employment rates (2010)



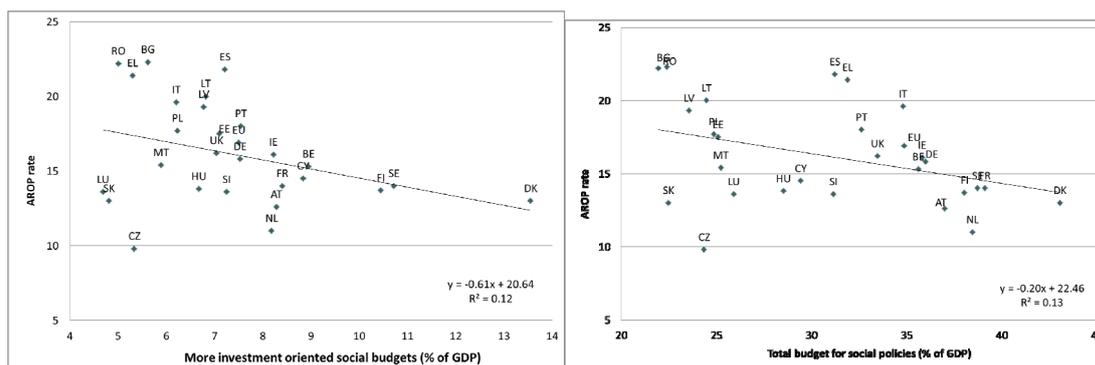
Source: Eurostat, DG EMPL calculations.

124 See European Commission (2012) *Employment and social developments in Europe 2012* Chapter 3 (Welfare systems) for a detailed analysis of the effectiveness and efficiency of social policies, in the fields of poverty reduction and labour-market friendliness.

125 See European Commission (2012) *Employment and social developments in Europe 2012*

126 The approach taken here derives from the work of Hemerijck (2012) who attempts to measure budgets for social investment by combining the budgets for those policies that have greatest investment focus. He combines budgets for active labour market policies, child-care, education, research and rehabilitation. The analysis excludes rehabilitation due to lack of data. In this approach, the remaining social expenditures contain social protection benefits such as old-age and survivor's benefits, unemployment-related benefits and disability benefits, healthcare, family benefits in cash and housing benefits.

Figure 7.10 — Social investment and at-risk-of-poverty (AROP) rates (2010)



Source: Eurostat, DG EMPL calculations.

Note: at-risk-of-poverty rates refer to the EU-SILC 2011 wave (except for IE 2010), in general reflecting the income situation in 2010.

Indeed, simple regressions suggest that for every additional 1 % of GDP spent on more investment-oriented social policies (as calculated according to the above), the employment rate is around 1.7 point higher, while the link with total social protection expenditures is weaker (0.5 point higher). Conversely, 1 % of GDP spent on more investment-oriented social protection expenditures is associated with an almost 0.6 point lower at-risk-of-poverty rate, while the link to total social expenditures is around 0.2 point.

These very stylised elements suggest that an approach that integrates both social investment and other social protection is needed. For instance, social investment can be particularly effective in improving employability. This in turn creates the prerequisites for further economic and employment growth which will give room for better social policies, therefore reducing risks of poverty in the longer term. Conversely, remaining social expenditures can support people effectively, especially during a crisis.

Further work in terms of analysing the impact of social investment and in particular its cumulative impact on employment and the at-risk-of poverty rate would be useful. This is because social investments are particularly valuable when they are ongoing and consistent. Social investment leads to a gradual accumulation of human capital in terms of literacy and skill acquisition. This in turn leads to high-quality employment being created in growing economic sectors.¹²⁷

7.3.1 Early intervention and breaking the transmission of disadvantage

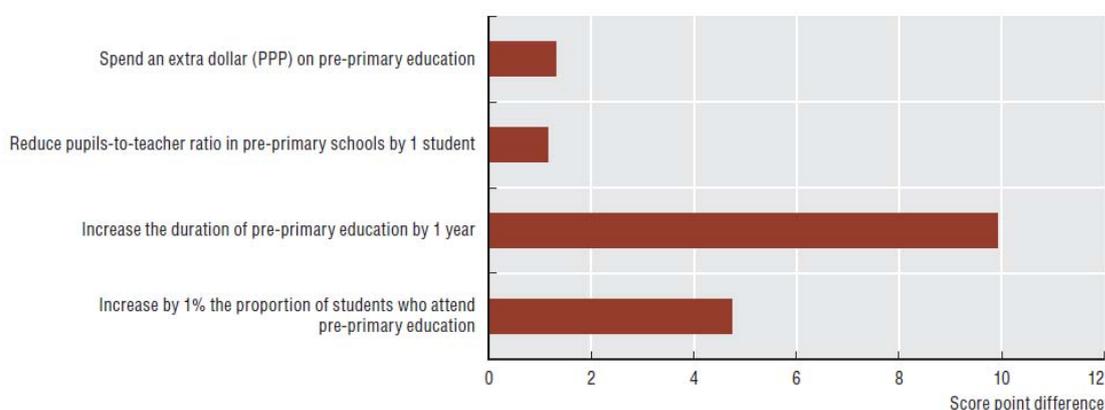
Intergenerational disadvantage can be explained by a range of factors. As discussed earlier, children in low-income backgrounds earn lower incomes later on in life. Environmental and cultural factors also play important roles in outcomes for children. Most of the factors influencing intergenerational disadvantage are linked to the main actors responsible for investing in children’s upbringing, namely parents, whose socio-economic status has a strong influence on their capacity and resources to invest in their children, governments and other social institutions.

127 See Nelson, M and Stephens, J.D. (2011) ‘Do social investment policies produce more and better jobs?’ in Morel, N; Palier, B; and Palme, J. (eds.) *Towards a Social Investment Welfare State?* Polity Press.

Intergenerational mobility appears to be highly influenced not just by the degree of investment in children, but also by the rate of return on this investment, which is highest in the very early years of childhood. Recent developments in neuroscience have further emphasised the determining influence of investment in pre-school years (especially before the age of three), during which most of the essential cognitive and social skills are formed. These years appear to be those with the highest rate of return on education achievement and overall human capital investment in children, especially through health and education intervention. Benefits for children from disadvantaged backgrounds are even more marked.

Results from the OECD's PISA assessment of students at age 15 show that, for most countries, students who have attended pre-primary education do better than those who have not. This strongly suggests that early education can improve education outcomes and overall skill levels later on in life. This has profound consequences in terms of human capital stock and overall labour force competitiveness.

Figure 7.11 — Influence of pre-primary education policies on PISA results, 2009

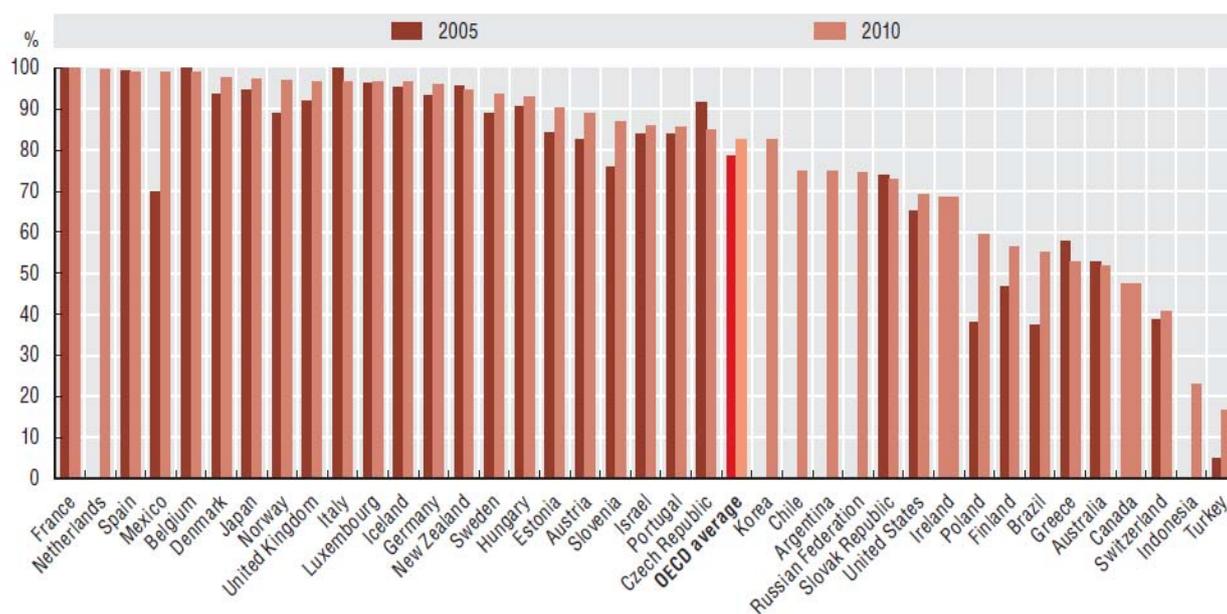


Source: OECD (2012)¹²⁸

There is, however, a large divergence between some EU countries in terms of investment and participation in pre-primary education. For instance, enrolment in education at the age of four is 100 % in France, while only slightly over 50 % in Greece. While there has been a trend among Member States and OECD countries in general to increase enrolment in early education between 2005 and 2010 (such as FI, DK, DE, SI, EE, AT, and PL) there has been a worrying decline in some Member States (EL, CZ, IT).

128 From OECD (2012) 'Starting Strong III: A Quality Toolbox for Early Childhood Education and Care' available at: <http://dx.doi.org/10.1787/97892641234564-en>

Figure 7.12 — Enrolment rates at the age of four in education (2005 and 2010)

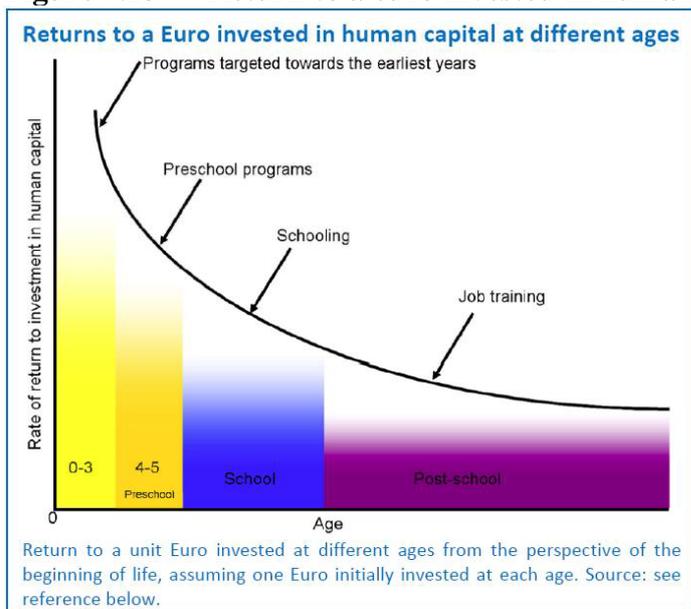


Source: OECD (2012)¹²⁹

Better investment in children can also contribute to significant savings in the longer term, since the public expenditure needed to correct the consequences of childhood poverty throughout a person's life-span is significantly higher than that necessary to improve their life chances by support provided during childhood.

129 OECD (2012) 'Education at a Glance 2012' table C1

Figure 7.13 — Return to a euro invested in human capital at different ages



Source: *The case for investing in disadvantaged young children*, James J. Heckman.

7.3.2 Lifelong learning, training and up-skilling to improve outcomes in adulthood

As shown in Section 6.3, education has a major influence on risk of unemployment. Apart from initial educational attainment, training, lifelong learning, up-skilling and training measures (either while employed or unemployed/inactive) can boost positive transitions on the labour market. Measures to improve employability are particularly relevant in times of high unemployment, when people may lose jobs in declining occupations and need to be trained for new occupations. This is seen to apply specifically to older workers. In the case of the Netherlands, Van der Heul (2006) found that the effectiveness of training increased for older workers at a time of high unemployment. At the time of the study, 2003, the majority of the unemployed not only found a new job, but even a new job in a different sector. However, Ecorys and IZA (2012) have found that re-training needs to be accompanied by job search assistance in order to be effective. The average adult participation in lifelong learning in the EU is 8.9 %.¹³⁰

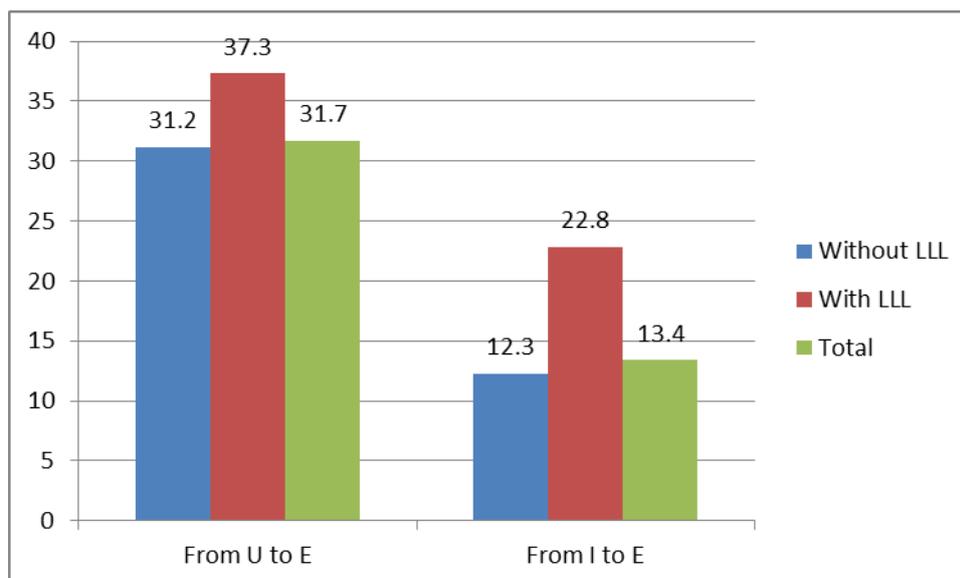
Transition rates from short- and long-term unemployment can be analysed separately, depending on whether or not the unemployed person has had access to lifelong learning in the previous year.¹³¹ The results suggest that participation in lifelong learning can increase the frequency of positive transitions (from unemployment or inactivity to employment) and reduce the frequency of negative transitions (staying in unemployment or in inactivity).

In particular, the transition rate out of unemployment to employment is 6 points higher for those having had some lifelong learning opportunities (37 % vs. 31 %), as also mirrored in a lower persistence rate in unemployment (44 % vs. 49 %).

¹³⁰ European Commission Communication - *Rethinking education: investing in skills for better socio-economic outcomes*. {COM(2012) 669 final}.

¹³¹ In the EU-LFS, the indicator on lifelong learning denotes the percentage of persons aged 25 to 64 who received education or training in the four weeks preceding the survey. The information collected relates to all education and training, whether relevant to the respondent's current or possible future job or not. It includes formal and non-formal education and training. This means general activities in the school/university systems but also courses, seminars, workshops, etc. outside the formal education system, regardless of the topic.

Figure 7.14 — Transition rate to employment for unemployed and inactive persons, depending on participation in lifelong learning, 2010-2011 (EU-13)



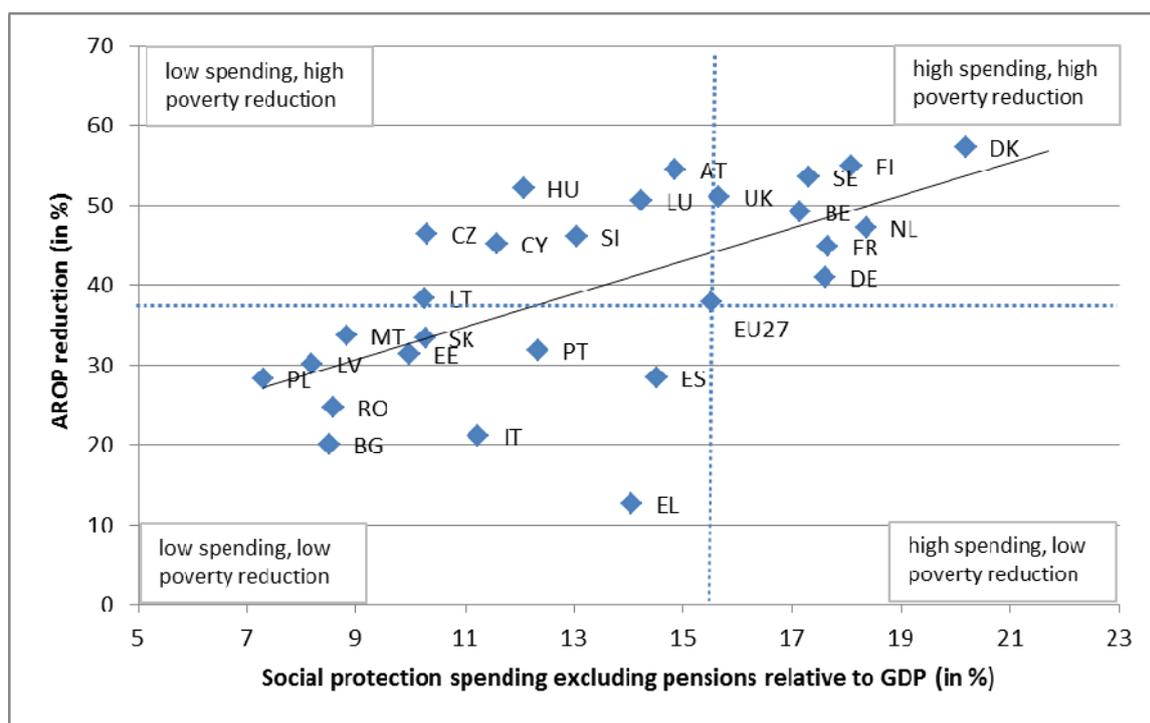
Source: Eurostat, EU-LFS, ad-hoc transitions calculations

7.3.3 *Fighting poverty and exclusion, the impact of consolidation measures and benefit coverage and take-up*

The design of the tax-benefit system is crucial in determining how and to what extent it affects income inequalities and redistributes resources to the poor. Within this, two key factors stand out: the progressivity of taxes and the degree of targeting and conditionality of benefits (which can create disincentive effects if badly designed), while a number of other factors are also at stake (such as for instance the choice of various tax bases and the existence of various tax exemptions).

Social transfers other than pensions reduce poverty risks to various degrees across Member States (ranging from a poverty reduction effect of 50% or more in some countries to 25% or less in others). This largely reflects differences in total expenditure, which vary from 7.5% to 20.5% of GDP when pensions are excluded (see Figure 7.15), but the composition of expenditure and the quality of interventions also play an important role. The evidence shows there is much variation across Member States in net cash support to low-income households.

Figure 7.15 — Relationship between social protection spending (excluding pensions, relative to GDP) and relative reduction in the share of population (aged 0-64) at risk of poverty (as a percentage) (2010)



Source: ESSPROS and EU-SILC.

Means-testing of social benefits can reduce social spending while more effectively protecting those most vulnerable. However, attention should be paid to potential work disincentives, low benefit take-up and stigmatisation associated with targeting if badly designed.

A recent Euromod paper¹³² illustrates the **importance of well-designed child and family benefits**. It explores the extent to which a country's effectiveness in reducing child poverty can be attributed to the size of family cash transfers (i.e., benefits and tax instruments alike) or to their design. The results confirm that the impact of the level of expenditure is significant. Nevertheless, effectiveness is highly dependent on the **composition of the measures** (universal, categorical, income selective) and the **design of policies** (thresholds, benefit size determination, etc.). The balance between benefits **in cash and in kind** also matters. Subsidies for childcare reduce the risk of poverty among children, make the overall income distribution less unequal, and are fiscally progressive. These effects are reinforced if a more dynamic perspective is adopted: subsidising childcare helps improve human capital and achieve higher female employment, both leading to greater prosperity and a more equitable income distribution.

7.3.4 More effective and efficient policies: the case of combating child poverty

As illustrated in section 6.1, fighting child poverty requires action on several fronts through **policies that need to be mutually supportive to ensure effective and efficient intervention**. Figure 7.16 illustrates that point. It provides a summary of the main drivers of child poverty prevailing in different countries.

132 Salanauskaitė, L. and Verbist, G. (2011) "Is the "neighbour's lawn greener"? Comparing family support in Lithuania and four other NMS " Gini Discussion paper 25.

Drivers are identified through three indicators, reflecting the exclusion of parents from the labour market (children in jobless households), in-work poverty (parents work but do not earn an adequate living), and the effectiveness of welfare support.

Depending on how these factors interact, countries can be grouped according to four major profiles associated with different combinations of intervention, leading to very different outcomes on child poverty. It shows that **countries that combine adequate family support with measures to help parents find jobs have the best outcomes.**

Group A includes the Nordic countries (Denmark, Norway and Sweden), Austria, Slovenia and Cyprus. Both the rate of risk-of-poverty and the child poverty gap are lower than in the rest of the EU. This can be attributed to **sound performance on all fronts:** the low proportion of children living in jobless or working poor households, and the relatively high impact of social transfers in reducing child poverty.

Nordic countries achieve these goals despite a high proportion of children living in single-parent households, thanks to good provision of childcare and a wide range of measures to help parents balance working life and family life. The impact of social transfers is relatively low in Cyprus, but strong family structures in which most adults are at work have so far played a protective role.

Group B includes Belgium, the Czech Republic, Germany, France, the Netherlands and to a lesser extent Lithuania and Estonia. These countries achieve relatively good to below-average poverty outcomes. The main matter of concern in these countries is the relatively **high number of children living in jobless households, whereas children whose parents are working have very low risks of poverty.** Among these countries, Germany and France are limiting the risk of poverty for children through relatively high and effective social transfers.

Group C includes Hungary, Ireland and the UK. The main concern in these countries is the **very high number of children living in jobless households.** In these countries, social transfers have a strong impact on reducing child poverty, which ensures a relatively low risk of child poverty in jobless households. However, analysis shows that the design of transfers, compounded by the lack of adequate, affordable childcare, create disincentives to work for specific family types, such as single parents, who account for more than half of all jobless households.

Group D comprises of southern European Member States (Greece, Italy, Malta, Portugal and Spain) as well as most of the eastern and Baltic countries (Bulgaria, Latvia, Romania, Poland and Slovakia). These countries face a high risk of child poverty and a high relative poverty gap for children. The **in-work poverty risk among families is high.** Important factors seem to be: **insufficient work intensity and low earnings** (in Latvia, Lithuania, Poland, Portugal and Spain). In these countries, the **level and effectiveness of social spending are among the lowest in the EU.** Family structures and intergenerational solidarity play a role in alleviating the risk of poverty for the most vulnerable children. Living in multi-generational households and/or relying on inter-household transfers, whether in cash or in kind, may partly compensate for the lack of government support to parents in the most vulnerable situations.

Figure 7.16 — Relative outcomes of countries related to the main determinants of monetary child poverty¹³³

Drivers...		...level of child poverty	Countries	Tentative diagnosis
 <p>Impact of social transfers is high</p> <p>Low share of children in jobless households</p> <p>Low risk of poverty of children whose parents are working</p>	 <p>Low risk of child poverty</p>	DK AT SI FI SE (CY)	<i>Lowest rates of child poverty thanks to a good balance between income support, labour market conditions and services that facilitate labour market participation of both parents.</i>	
 <p>Impact of social transfers is relatively high</p> <p>Relatively high share of children in jobless households</p> <p>Low risk of poverty of children whose parents are working</p>	 <p>Medium risk of child poverty</p>	CZ NL BE DE FR (LT EE)	<i>Low to above average rates of child poverty thanks to a good income support, but the share of children living in jobless households is high.</i>	
 <p>Impact of social transfers is high</p> <p>High share of children in jobless households</p> <p>Relatively lower risk of poverty</p> <p>Average level of in-work poverty</p>	 <p>High risk of child poverty (low poverty gap)</p>	IE UK HU	<i>Average child poverty rates. The high impact of social transfers is mitigated by disincentives to work and lack of adequate and affordable child care for some categories of parents (e.g. lone parents)</i>	
 <p>Low impact of social transfers in reducing child poverty.</p> <p>Limited share of children in jobless households</p> <p>Very high risk of poverty of children whose parents are working</p>	 <p>High risk of child poverty (high poverty gap)</p>	PL LV RO BG SK PT IT EL ES MT	<i>Highest rates of child poverty due to insufficient support for families, both in and out of work, in terms of income and services and poor access to quality jobs, especially for second earners.</i>	

Source: Eurostat EU-SILC 2010, European Commission (DG EMPL) calculation.

7.3.5 The impact of consolidation measures

In the current context of fiscal consolidation in a number of Member States, the design of consolidation measures can also have an impact on the ability of social systems to deliver adequate, effective and efficient policies.

¹³³ Groups are obtained by cluster analysis based on scores related to the following variables: children living in a jobless household, children living in households at work and at-risk-of-poverty and the impact of social transfers on children's risk of poverty. For each of these variables, the scores reflect both the situation of children in the country versus the rest of the population, and the situation of children in the country versus the rest of Europe.

LU has not been introduced in the classes as it is an outlier. Trends in risk of poverty rate indicate the trend in the risk-of-poverty rate between 2005 and 2010. Countries in brackets are to be considered as on the edge of the cluster.

Evidence based on micro-simulation provides insight into the likely impact of fiscal consolidation measures on the relative situation of the poorest segments of the population. Euromod has recently reviewed consolidation measures taken in nine EU Member States between 2009 and 2012,¹³⁴ showing that the impacts on low-income groups were very diverse reflecting changes in personal taxes and VAT as well as cuts in spending on cash benefits and declines in public sector wages.

Many countries (Estonia, Greece, Spain, Latvia, Portugal and the UK) raised income taxes or social contributions. Many also increased VAT (Estonia, Greece, Spain, Lithuania, Latvia, Portugal, Romania and the UK). In terms of taxes, Greece also introduced an emergency property tax. Other measures remained limited to a few Member States only: minimum wages were cut in Greece; housing benefits were cut in the UK; care benefits were cut in Spain and limited in the UK; Lithuania and Latvia introduced cuts in maternity/paternity benefits. Lithuania also lowered social assistance benefits for those who are able to work, and reduced sickness benefits.

In a few countries, the situation of those on low incomes seems to have worsened more as a consequence of consolidation measures than some other segments (Lithuania, Estonia, Portugal). In other countries, fiscal consolidation measures had a more progressive impact (Spain, Romania, Greece, Latvia). Overall, consolidation measures had a significant negative impact on household income, and in some of these countries, the poorest segments of the population saw their incomes cut significantly (by more than 5% in Greece and Latvia).

The impact of consolidation measures can also differ for various categories of the population, especially for older people and children. Pensioners were more adversely affected in Greece, Latvia, Portugal and Romania. Unemployment benefits were reduced in Greece, Lithuania, Portugal and Romania. Child benefits were reduced in Estonia, Spain, Lithuania, Latvia, Portugal, Romania and the UK.

7.3.6 Coverage and take-up of social benefits

The degree to which Member State social systems provide effective protection to people in need varies greatly, in terms of the coverage, adequacy and duration of unemployment benefits, and other benefits. Worryingly, administrative data show that in several Member States, a growing number of people are no longer covered by benefits. This raises concerns as to the risk of crime and turning to the informal labour market to earn income.

There are very large differences across EU Member States in terms of coverage. Taking the example of unemployment benefits, the (pseudo) coverage rates of unemployment insurance can be assessed by comparing different sources, supplemented by information on the net replacement rates of unemployment benefits. In most Member States, different sources give relatively consistent results for coverage rates, though in some, such as Italy, Greece and Belgium, they vary significantly (with, for instance, differences ranging from 80 to 100 pps in coverage rates).¹³⁵

134 Avram S., Figari F., Leventi C., Levy H., Navicke J., Matsaganis M., Militaru E., Paulus A., Rastrigina O. and Sutherland H. (2012), "The distributional effects of fiscal consolidation in nine EU countries", Research note 01/2012, Social Situation Observatory (forthcoming)

135 In SILC and LFS the coverage rates are always below 100% because in these surveys the people identified as unemployed are asked about whether they actually receive benefits (some of them might not be eligible, such as young people or those who have lost their entitlements, and some of them might not be claiming benefits). People that continue receiving benefits when they start

In some Member States, such as Belgium, Austria or France, both coverage and replacement rates are relatively high, while in others, such as Germany or Finland coverage is high, but replacement rates are lower (around 45 %). In southern Member States, coverage of unemployment benefits is rather low (especially according to surveys) and replacement rates are above 50% only in Portugal, 41% in Spain and only 24% in both Italy and Greece.

The Baltic States have both low coverage and low replacement rates. Those of Bulgaria and Romania are slightly higher. Coverage rates in the Czech Republic and Hungary are similar to those of Portugal and Spain, but replacement rates much lower. On the other hand, Slovakia and Poland have both very low coverage and very low replacement rates. Sweden, which has a universal basic income, has a similar coverage rate, but higher replacement rates.

to work are not taken into account in the surveys for this purpose. This is different in the administrative sources, which also include among the unemployment benefits recipients at work but still receiving benefits, so that coverage rates can thus exceed 100%.

Figure 7.17 - Unemployment insurance pseudo-coverage rates and net replacement rates (2009)

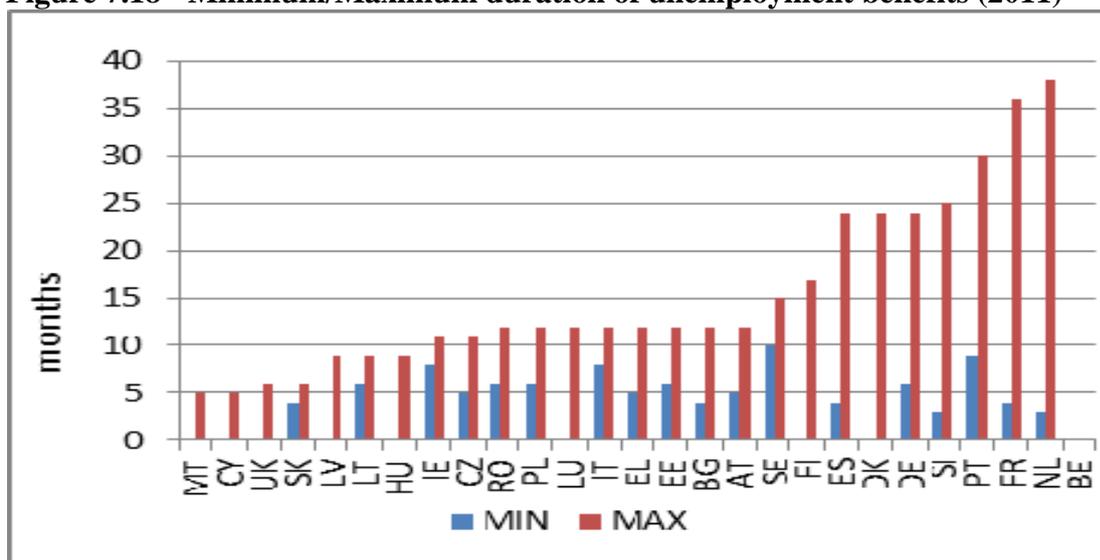
	Coverage rate - administrative sources (in %)	Coverage rate - SILC (in %)	Coverage rate - LFS (in %)	Net replacement rate (in %)
Austria	88	74	50	52
Belgium	148	89	67	65
Bulgaria	49	20	12	25
Cyprus	54	n.a.	26	n.a.
Czech Republic	54	50	30	20
Denmark	55	85	51	63
Estonia	33	46	36	26
Finland	94	89	59	44
France	82	69	40	49
Germany	110	85	75	45
Greece	115	30	22	24
Hungary	36	59	44	22
Ireland	62		n.a.	58
Italy	103	36	6	24
Latvia	35	41	23	24
Lithuania	31	18	27	21
Luxembourg	33	52	31	29
Malta	46	41	25	46
Netherlands	67	55	n.a.	38
Poland	27	24	15	22
Portugal	n.a.	43	41	55
Romania	45	29	15	25
Slovakia	16	30	10	21
Slovenia	40	31	34	24
Spain	39	57	40	41
Sweden	40	37	31	43
United Kingdom	62	33	n.a.	29

Source: coverage rates from EC/OECD database on benefit recipients, SILC and LFS; replacement rates from OECD Tax-Benefit Models¹³⁶

The duration of unemployment benefits also varies greatly across the EU. In Malta and Cyprus, the maximum duration of these benefits was five months in 2011. In the Netherlands, it was over 35 months.

¹³⁶ Assumptions of the OECD tax-benefit model: The net replacement rates summary measure is defined as the average of the net unemployment benefit (here without social assistance and cash housing assistance) replacement rates for two earnings levels (67% and 100% of average wage), three family situations and 60 months of unemployment.

Figure 7.18 - Minimum/Maximum duration of unemployment benefits (2011)¹³⁷



Source: MISSOC

Information on the relative size of incomes of people living on social assistance (including cash housing benefits) makes it possible to broaden the scope beyond unemployment benefits only. To compare the income of such households, including these benefits, with the median equivalised income for three household types, see Figure 7.19. In the EU, single parents with two children are on average getting higher social assistance benefits relative to the median income than single people without children or couples with two children (49% versus 42% for the latter two household types).

Only in three Member States (Ireland, Denmark and the United Kingdom) do all three model household types receive social protection benefits high enough to take them above the poverty threshold of 60% of median income. At the other end of the spectrum, there are Member States in which households do not even reach 40% of the median income (Greece and Spain; Bulgaria and Romania; Slovakia, Hungary and Estonia).

Of the old Member States, France has the lowest relative net income of people living on social assistance (on average for the three family types, it is 40% of the median income) and among the new Member States, Lithuania has the highest income (53% of the median income on average).

137 Note: No legal maximum of duration of unemployment benefit in BE .

Figure 7.19 — Net income of people living on social assistance relative to the median equivalised income, in % (including cash housing assistance) (2010)

	Single person	Lone parent with 2 children	Couple with 2 children
Greece	0	9	2
Bulgaria	14	26	22
Romania	17	27	26
Slovak Republic	23	33	30
Spain	35	33	25
Hungary	31	39	29
Estonia	32	34	31
Poland	31	41	33
Portugal	26	42	43
France	41	42	36
Slovenia	30	53	44
Czech Republic	50	45	42
Belgium	45	55	39
Latvia	36	50	46
Sweden	56	48	43
Austria	49	50	46
Malta	59	54	44
Luxembourg	51	54	51
Lithuania	27	77	56
Germany	47	60	53
Finland	57	56	50
Netherlands	74	64	52
United Kingdom	66	76	65
Denmark	71	73	71
Ireland	77	71	70

Source: OECD Tax-Benefit model. Note: countries are sorted based on the average net income of three family types.

Matsaganis et al. (2008) explore the effect of non-take-up of benefits on the effectiveness of spending on social assistance in terms of poverty reduction, using Euromod for five Member States. They conclude that the design of the targeting of these benefits can have a significant negative effect both on reducing the proportion of the population at risk of poverty and on combating the poverty gap.

7.3.7 Labour-market friendliness of social protection spending

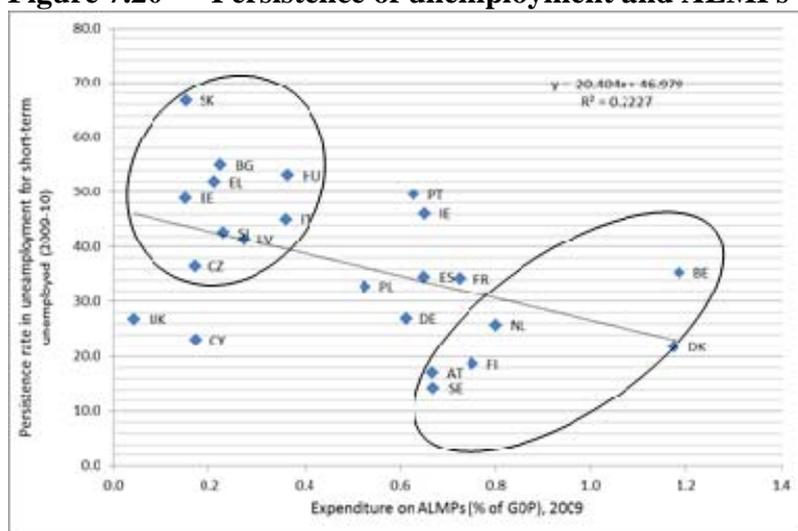
The labour-market friendliness of social systems is a key aspect of their effectiveness and efficiency. Social systems should shield people against labour market risks, while encouraging them to stay in jobs or go back to work. Active labour market policies are shown to have a positive influence on employment rates. The same holds for childcare services and the employment rate of women.

As a complement to income transfers and unemployment benefits, activation policies and ‘making work pay’ tend to improve a person’s chances of getting a job. A core element is the implementation of active labour market policies (ALMPs), in which, for example, the jobless are provided with education and training, as well as active ageing policies, where older workers are encouraged to stay working for longer, and provided with opportunities to do so. ALMPs combine social and economic policies as a means to achieve improvements. But the effectiveness of measures does vary and there are complementarities between active and other labour market policies.

Extensive literature is available on the effectiveness of ALMPs (see for instance European Commission 2006)¹³⁸. It is commonly recognised that such policies facilitate a return to work, minimise long-term unemployment and decrease the loss of productive human capital. During the years 2000-2010, a number of Member States (Denmark, Finland, Sweden, Germany and the Netherlands, for example) engaged in reforms to modernise the welfare state. They aimed to reabsorb high levels of long-term unemployment and/or the swelling ranks of those on long-term illness or disability benefits because of the 1990s recession. A recent study found that countries that invested heavily in ALMP before the crisis saw their employment levels less severely impacted during the crisis.¹³⁹

Spending on and participation in ALMPs tends to decrease long-term unemployment (Figure 7.20).¹⁴⁰ There is broad evidence that spending on or participating in ALMPs decreases the duration of unemployment after taking into account the economic cycle (e.g. Nickel and Layard, 1999). For instance, the Nordic and continental countries tended in 2009 and 2010 to have the highest levels of expenditure on ALMPs, coupled with the lowest persistence rates in unemployment, while central and eastern Member States, and some southern European countries such as Italy and Greece, spend little on ALMPs and generally have a high persistent rate of unemployment.

Figure 7.20 — Persistence of unemployment and ALMPs expenditures¹⁴¹



Source: For persistence rate, DG EMPL calculations based on Eurostat, EU-LFS; for expenditures on ALMPs, Eurostat LMP database.

Both active labour market measures and other measures such as income support can play an important role in helping people to get back to work. For instance, it is possible to assess the degree to which registering with the national Public Employment Service and receiving unemployment benefits influences outcomes in finding jobs for the long-term unemployed.

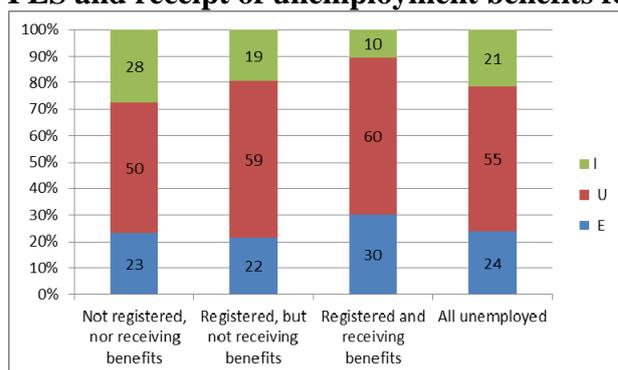
138 European Commission (2006) *Employment in Europe*.

139 OECD (2012) *Employment Outlook*

140 See Chapter 1 of European Commission (2012) *Employment and social developments in Europe 2012* for a detailed analysis of the dynamics of long-term unemployment.

141 Spending on active labour market policies includes categories 2-7 in the LMP database.

Figure 7.21 — Transitions from unemployment, depending on registration with the PES and receipt of unemployment benefits for EU-9 (2010 to 2011)¹⁴²



Source: Eurostat, EU-LFS, transitions calculations from DG EMPL.

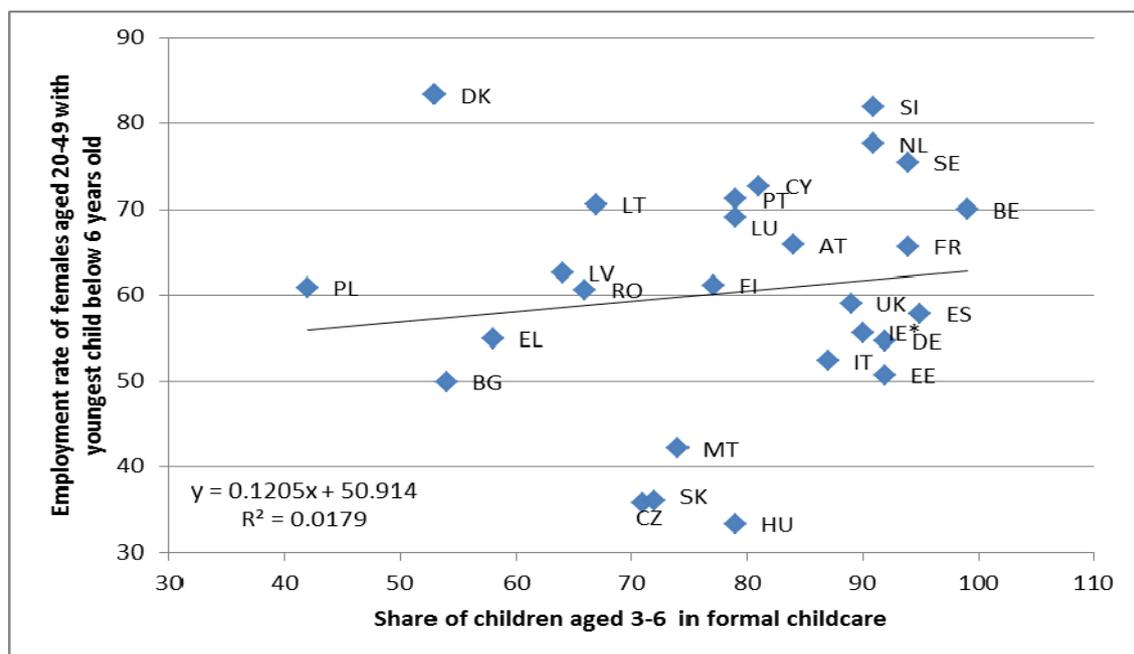
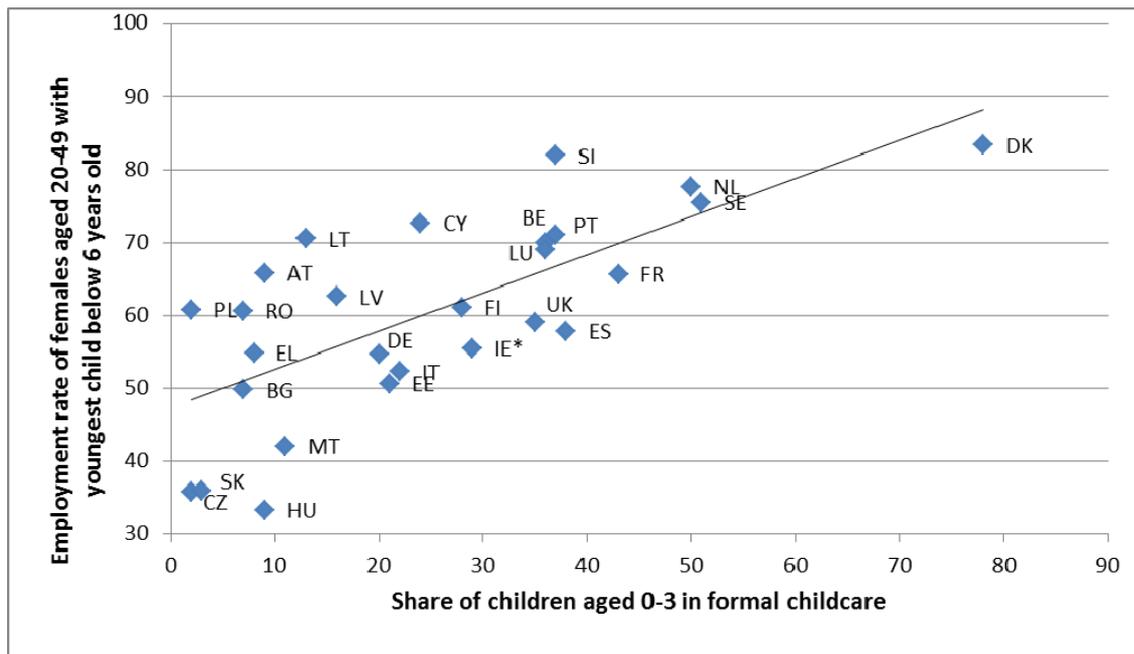
Evidence from longitudinal data from the EU-LFS shows that those who are registered and receiving benefits have a higher chance of returning to employment than unemployed people not receiving benefits, who may or may not be registered with the Public Employment Services (PES). Econometric analysis presented in the paper confirms that, all things being equal, receiving benefits does influence the likelihood of getting a job, and that registering with the PES alone is not sufficient.¹⁴³ However, though registering with the PES is often a precondition for receiving benefits, it does not automatically ensure that a person will have access to services or programmes such as training that may be available.

Childcare provision is a key factor in enabling female employment and fostering labour market participation (see section 5). There is a strong correlation between the employment rates of women with young children and the proportion who have access to formal childcare, especially in the first three years of a child's life (Figure 7.22), while the correlation is weaker for children aged between three and six years old.

¹⁴² The Figure presents the transitions for those people aged 15-74 unemployed the year before to unemployment (U), employment (E) or inactivity (I), depending on whether the person was registered with the national Public Employment Service (PES), and whether s/he was receiving unemployment benefits. The longitudinal data used here are based on yearly estimates for nine Member States: Estonia, Romania, Cyprus, Greece, Hungary, Italy, Malta, Sweden and Slovakia. As very few people receive benefits without being registered with the PES, the values for this category are not reliable and therefore not shown.

¹⁴³ See Chapter 1 of European Commission (2012) *Employment and social developments in Europe 2012*, in particular Section 4.6 for related detailed econometric analysis, notably controlling for effects of various individual characteristics, such as education or age.

Figure 7.22 — Employment rates of women 20-49 with youngest child below six years old and share of children in formal childcare (2010)



Source: EU-SILC and Labour Force Survey, DG EMPL calculations. Note : For a child to be considered as being in formal childcare, at least one hour per week of formal childcare is required.

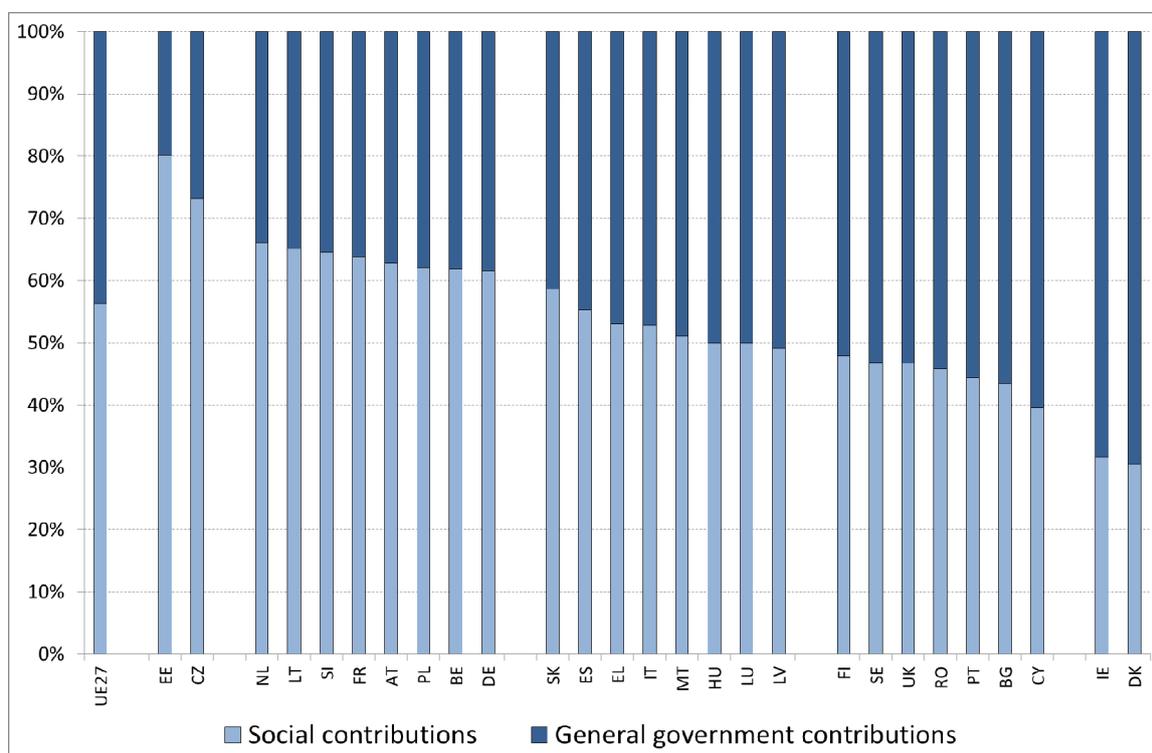
7.4 The financing of budgets for social policies

7.4.1 Overall shift from social contributions to general taxation

The relative importance of general government taxes, social contributions and other revenue for financing social protection varies greatly among Member States. Denmark and Ireland finance more than 60% of theirs from general government contributions,

while in Estonia or the Czech Republic, over 70% of funding comes from employers' social security contributions (Figure 7.23).

Figure 7.23 — Social protection financing structures (2010)¹⁴⁴



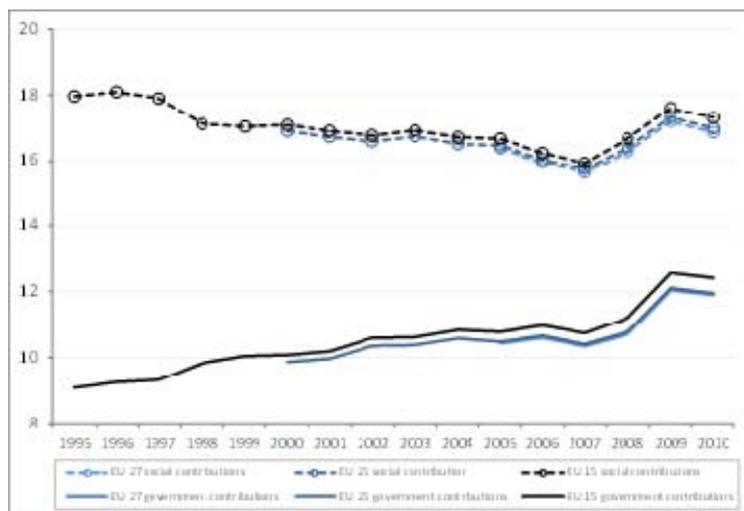
Source: ESSPROS

In recent decades, the source of such financing in the EU has been shifting from social contributions towards government contributions (Figure 7.23). This trend was very apparent until the current crisis.¹⁴⁵ Since 2008, both social contributions and government contributions have risen significantly as a share of GDP (reflecting the sharp decline in GDP). Government contributions to social protection systems have been slightly more dynamic than social contributions both in the years of the crisis (2009 and 2008) and in 2010, which was generally a year of recovery. In short, government contributions have had a bigger role in financing social protection expenditure over the last 15 years as an overall trend, and during the crisis, though to a lesser extent.

144 General contributions include the category 'other receipts' which are generally in nature closer to taxation than to social contributions.

145 Covering social protection in a broad sense, as reflected in the harmonised European system ESSPROS. Other contributions are here taken together with general government contributions since their nature is generally less similar to social contributions.

Figure 7.24 — Trends in social protection financing structures (1995-2010)

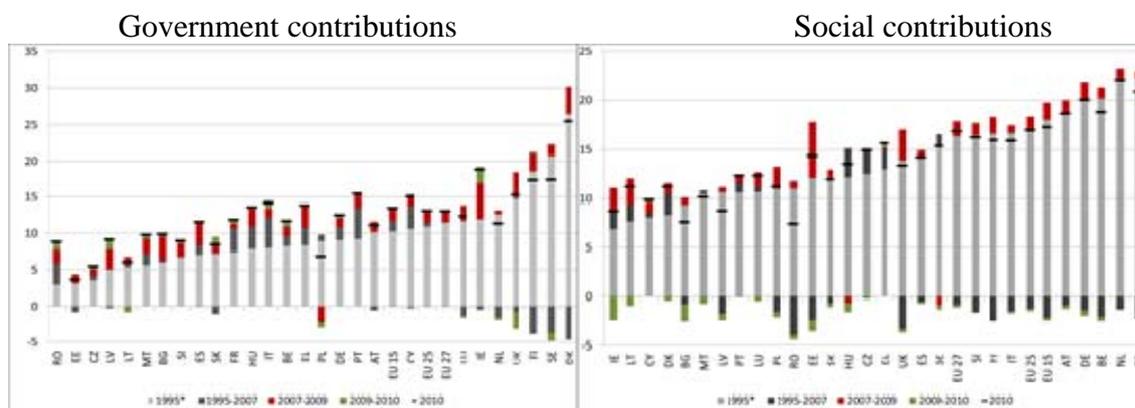


Source: ESSPROS.

Note: Receipts from the Esspros category of 'other receipts' have been added to the ones from the category of government contributions.

These general developments went along with slow convergence in the financing structures among Member States over the last two decades (Figure 7.24). Member States with relatively high government contributions as a share of GDP financing social protection generally saw a decline (DK, SE or FI). Those with lower levels generally saw an increase (FR, RO, IT, PT, HU or DE). The same type of slow convergence can also be observed with social contributions.

Figure 7.25 — Trends in financing of social protection as a share of GDP (1995-2010)¹⁴⁶



Source: ESSPROS

7.4.2 Potential significant distributional impacts

Social security contributions can be reduced by increasing income tax rates, by taxing income other than labour, or by increasing indirect taxation. For instance, in 2007, Germany increased VAT by 3 percentage points to finance a reduction in social security contributions (and a reduction in budget deficits). Some extra VAT revenues were earmarked for social protection. In France, the introduction of the CSG in the 1990s

146 1995 or earliest year available (LT and SI 1996, LV 1997, EE and HU 1999, CY 2000, BG 2005, PL and RO 2000)

enabled taxation of capital income and replacement income to help finance social protection.

The specific case of a revenue-neutral shift from social contributions to VAT may have adverse redistributive effects for the lower income deciles and a favourable effect on the top deciles, since the former benefit less from a reduction in social security contributions and are more exposed to increases in prices. However, this can be counterbalanced by other measures, which can mitigate or even eliminate the regressive impacts of VAT, such as progressive changes to social security contributions or benefits and non-linear tax credits.¹⁴⁷

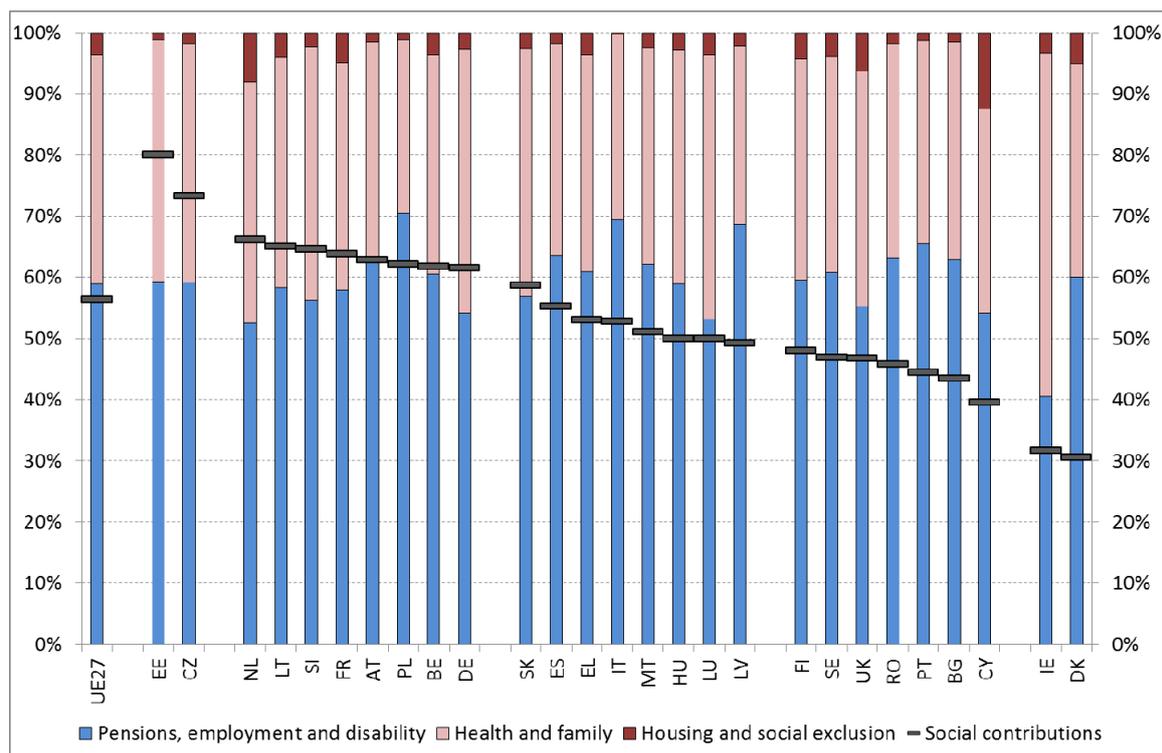
7.4.3 Shifts in social protection financing and coverage of employment and life-course risks

A shift from social contributions towards general taxation also represents a shift from employment-based social protection (or insurance-based in a classical Bismarckian terminology) towards potentially more universal-based social protection provision (or of a more Beveridgean type in the classical terminology), since entitlements to social protection can be seen as less linked to earnings-related contributions. Furthermore, although social contributions and general tax revenues are sensitive to the business cycles, some Member States may have more room for a shift from social contributions to general taxes with smaller implications for the social protection entitlement structures.

Social protection expenditures can be grouped into three categories according to their link to individual employment histories and to whether or not they cover a life-cycle risk (see Figure 7.26), regrouping employment-related social protection provision (pensions, employment and disability), life-cycle and non-employment-related provision (health and family) and non-life-cycle and non-employment-related provision (housing and social exclusion).

¹⁴⁷ The Mirrlees Review published by the Institute for Fiscal Studies (2011) found that, for instance in the United Kingdom, increasing all means-tested benefit and tax credit rates by 15% would counter the regressive impacts of VAT. Conversely, it found that applying zero or reduced rates of VAT to items on which poorer households spend a relatively large proportion of their budgets is a blunt instrument with which to help the less well-off, because richer households typically gain more in cash terms from these tax breaks than poorer ones.

Figure 7.26 — Social protection financing and expenditures structures (2010).



Source: ESSPROS.

While such a classification has some clear shortcomings,¹⁴⁸ it can help to identify Member States whose relative share of social contribution revenues tends to exceed the relative size of employment-related social protection expenditure. This is the case for Estonia, the Czech Republic and the Netherlands and, to a lesser extent, Slovenia, Germany, France and Lithuania. In these countries, there may thus be more scope to shift social contributions to other tax bases than in other countries.¹⁴⁹

8. IMPROVING TIMELINESS OF DATA AND THE MEASUREMENT OF SOCIAL OUTCOMES

With the adoption of the **Europe 2020 strategy**, the European Union has placed **the fight against poverty and social exclusion high on the political agenda**. The reshaping of policy objectives through the Europe 2020 strategy brought to the fore the weaknesses of the statistics and indicators available to monitor poverty and inequalities. **The lack of timely data on income and living conditions is a serious obstacle to the implementation of Europe 2020.** The social consequences of the economic and financial crisis have made the lack of timeliness of data on the extent of poverty and social exclusion an even more burning issue — not least in the countries where the crisis

148 The classification of the social protection function into three categories is based on an approximation of the earnings-related and life-cycle risk nature of each category. Expenditure classified as earnings-related may include universal benefits (e.g. minimum pensions, some disability benefits), while non-earnings-related groups may include earnings-related benefits (e.g. sickness benefits). For a more accurate analysis, a more detailed breakdown of social protection expenditures would be needed.

149 Other approaches may also be used as a complement, for instance based on the relative distribution of the risks across the population, on the rationale that less equally distributed risks would probably generally require some higher financing share through general taxation. For instance, life-cycle risks (pensions, health, family) or labour market risks (e.g. unemployment, disability) can be considered as more equally distributed than social exclusion and housing. In this context, Member States in which the relative share of social contributions revenues is larger than the relative size of more equally distributed life-cycle risks may have more room for a financing shift towards general taxes.

has hit the hardest. In the conclusions of the December 2010 EPSCO,¹⁵⁰ ministers of social affairs recognise the importance of this issue and '*invite the Commission to support, in collaboration with the Member States, the timely availability of valid indicators to monitor the social dimension of the Europe 2020 Strategy*'.

The setting of the poverty and social exclusion target also helped to highlight the need to **improve the measurement of poverty and social exclusion**. This is expressed in the conclusions of the June 2010 EPSCO¹⁵¹ preparing the adoption of the Europe 2020 strategy, which proposed to '*strengthen the current instruments for measuring progress in the reduction of poverty and deprivation [...] and that the mid-term review of the EU headline target in 2015, [...] also include a review of the indicators, ... taking into account economic developments and improved measurement instruments.*'

Implementation of the Europe 2020 strategy has shown some weaknesses hampering the monitoring of progress towards the EU's social objectives. Taking into account **non-monetary income in the definition of resources**, including the value of publically provided services, is essential to **capture the full impact of the welfare state**, including public services, and to correctly identify groups worst affected by poverty.

The definition of **material deprivation** needs adjusting to reflect trends in living standards in the EU. Measuring and analysing the **dynamics** of poverty and exclusion will improve the design of policies and assess whether they have a durable impact on poverty reduction. Improving the measurement of the specific situations of **women, children and young people**, and of **very severe forms of poverty and social exclusion** (such as homelessness), will help monitor progress in addressing the social issues at the root of poverty and exclusion.

This section aims to identify the **statistical and analytical gaps** that hamper the **monitoring and analysis of poverty and social exclusion**. Improving measures and indicators in these areas would help reach a more accurate and timely diagnosis on which to base recommendations for policy intervention in the context of **Europe 2020**. Under the new programming period, the objectives of the ESF will be linked to those of Europe 2020 on employment and social inclusion and will support policies set out in National Reform Programmes in response to Country Specific Recommendations. More timely and more accurate data, together with efforts to develop poverty maps (see section 8.3.6), **will help with programming and allocating the ESF** and to monitor overall outcomes.

Three areas of improvement are explored: (i) improving the analysis, monitoring and dissemination of existing information; (ii) improving data collection systems at EU and national level; and (iii) supporting the development of methods and models and enhancing their use in policy making.

8.1 Harmonised EU statistics and indicators in support of the Europe 2020 target to reduce poverty and social exclusion

The EU target defines poverty and social exclusion on the basis of three main indicators: being **at risk-of-poverty**, being in **severe material deprivation** and **people living in**

150 Council Conclusions on 'The social dimension in the context of an integrated Europe 2020 strategy' 3053rd Employment, Social Policy, Health and Consumer Affairs Council Meeting 6 December 2010: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/lsa/118244.pdf

151 http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/lsa/115003.pdf
The EPSCO conclusions were endorsed by the European Council on 17 June 2010 (http://ec.europa.eu/eu2020/pdf/council_conclusion_17_june_en.pdf).

households with zero or very low work intensity (i.e. jobless or quasi-jobless households). It recognises the multi-dimensional nature of poverty and social exclusion, and allows account to be taken of the diversity of situations and priorities that prevail in the EU, in particular after the last waves of enlargement.¹⁵² An in-depth analysis of the indicator underpinning the target is available in the 2011 review of Employment and Social Developments in Europe.

The choice of the three indicators is the result of a negotiation between Member States with very different poverty profiles and different policy priorities. It also reflects the fact that **monitoring poverty solely on the basis of the at-risk-of-poverty rate has major drawbacks.**

One of the main drawbacks of the at-risk-of-poverty indicator is its **ambiguous movement in periods of rapid growth or of crisis.** The risk of poverty depends on the poverty threshold, which is determined by the general level of income and its distribution in the whole population. This threshold may change from one year to another as individual incomes change.

This is especially the case during an economic crisis. Wages are usually the first to decrease as the situation on the labour market gets worse — and many people see their market incomes reduced as they become unemployed. But other incomes, such as pensions and social benefits, do not adjust immediately. As a result, the median income, and therefore the poverty threshold, tends to fall. People earning an income slightly below the poverty line may move above it, even though their situation has not changed or may even deteriorated.

Statistical developments at EU level have supported work on social indicators. The development of social inclusion indicators and the adoption of the Europe 2020 target would not have been possible without significant EU investment in collecting **comparable statistics on income and living conditions** since the early 1990s.¹⁵³

EU-SILC (Community Statistics on Income and Living Conditions)¹⁵⁴ is now the **reference source at EU level for social statistics** and has contributed to **strengthening EU social policy coordination** by underpinning the analysis and the comparison of Member States' performance in the social field. A key objective of EU-SILC is to deliver robust and comparable data on total disposable household income. Income components were defined to follow as closely as possible the international recommendations of the UN 'Canberra Manual'.¹⁵⁵ The corpus of comparative research and analysis based on EU-SILC is constantly growing and nurtures the policy debate at both EU and national level. EU-SILC has also allowed the development of the comparative micro-simulation model Euromod,¹⁵⁶ which is a powerful tool for assessing the distributional impact of reforms to the tax and benefit systems (e.g., the impact of fiscal consolidation) and analysing the effectiveness of policies.

152 For a more detailed presentation of the new target and the diversity of populations and forms of poverty it represents, see Chapter 3 of European Commission (2011) *Employment and social developments in Europe 2011* (<http://ec.europa.eu/social/main.jsp?catId=113&langId=en&pubId=6176&type=2&furtherPubs=yes>)

153 The European Community Household Panel (1994 to 2001) was the first EU wide harmonised data collection exercise to cover all EU countries. It stimulated a wealth of comparative research and analysis that made possible and underpinned the development of the first set of EU social inclusion indicators adopted by the Laeken European Council in 2001. In 2005, the ECHP was replaced by EU-SILC.

154 EU-SILC Framework Regulation of the European Parliament and the Council (No1177/2003)

155 United Nations (2001) or The Canberra Group (2001) Final Report on the Expert Group on Household Income Statistics <http://www.lisproject.org/links/canberra/finalreport.pdf>

While EU-SILC helped to strengthen evidence-based policy-making at EU level,¹⁵⁷ the intensive use of EU harmonised statistics has revealed some **shortcomings of the survey, data gaps and new needs**. The planned revision of the EU-SILC Regulation provides an opportunity to address these issues (see detailed discussion below).

Another important source of harmonised data is the **European System of Social Protection Statistics** (ESSPROS). The system gathers administrative data on social protection expenditure and receipts in a harmonised framework. It enables the size, structure and functioning of national social protection systems to be compared and analysed in detail.

Finally, the analysis of poverty and social exclusion and its determinants also relies heavily on the **Labour Force Survey** which provides the key statistics on employment, unemployment and inactivity. Information on the quality of jobs, on barriers to work, and on access to and participation in training is especially relevant for understanding such phenomena as labour market exclusion or in-work poverty. Household information is especially useful for analysing the impact of one person's labour market status on other family members (e.g., jobless households).

EU indicators enable monitoring and support diagnosis. The common EU indicators¹⁵⁸ are used for multiple purposes in support of EU-level social policy coordination. At EU level, they are the basis of **regular reporting** on the social situation of Member States in the context of the Joint/SPC Reports on Social Protection and Social Inclusion¹⁵⁹, as well as in the Commission annual review of Employment and Social Developments in Europe. The indicators are primarily used for **descriptive and comparative purposes** to show the relative position of Member States vis-à-vis the multiple dimensions of poverty and social exclusion. They also illustrate, as far as possible, the extent and composition of policy intervention (ESSPROS social protection data).

The indicators are also used to **monitor the progress** of Member States towards the policy objectives, though the lack of time series (in the first years of EU-SILC) and the significant time lag (nearly two years) of SILC and ESSPROS data clearly affect the relevance of the exercise for policy-making, especially in the context of the crisis. The issue of timeliness is discussed below.

Over time, the indicators sub-group of the Social Protection Committee has developed analytical frameworks in which indicators are combined to support a **diagnosis** of the main determinants of poverty and social exclusion. An example of such a framework, based on benchmarking, was developed and agreed in 2008 to identify the main determinants of child poverty in each country.¹⁶⁰

156 See: <https://www.iser.essex.ac.uk/euromod>

157 An illustration of the value added of EU-SILC is the support provided by Eurostat in setting the Europe 2020 target on poverty and social exclusion. Without comparable and trustworthy micro-data available for all Member States, it would not have been possible for Eurostat to simulate the number of 'poor and excluded' (and their characteristics) that a given definition of the new indicator would capture. This information was a crucial element in the negotiations that led to the adoption of the poverty and social exclusion target, thereby securing the social dimension of the Europe 2020 strategy.

158 This refers to portfolios of indicators developed together with Member States to support the monitoring of policy coordination process at EU level (e.g. Indicators of social inclusion and social protection, European Community Health Indicators). See also European Commission Staff Working Document – *Investing in Health* SWD(2013) 43

159 See: <http://ec.europa.eu/social/main.jsp?catId=757&langId=en>

160 See Social Protection Committee (2008) 'Child poverty and well-being in the EU — current status and way forward'

The indicators are also used by a broad range of stakeholders at national and EU level, including national administrations, social partners, organisations representing civil society and academia.

In the context of the Europe 2020 strategy, the use of indicators has been improved by adopting **EU and national targets (see above)** and by developing a **Joint Assessment Framework (JAF)** to combine indicators and benchmarks to identify the main drivers of poverty and social exclusion in a given country.

Indicator-based diagnosis needs to be supplemented with detailed country-specific information (both quantitative and qualitative) to support the policy advice each country receives in 'Country Specific Recommendations'. The JAF provides screening to give a country initial guidance on structural challenges and areas that may need attention, thus supporting the identification of key employment and social challenges.

8.2 Improving timeliness

The **lack of timely information** on trends, and on poverty in particular, is **the main data gap hampering evidence-based policy-making**. Since the crisis, it has become very clear that policy-makers at EU and national level do not have the tools to monitor the short-term social impact of economic shocks, or the effectiveness of policy responses. We need to capture changes in social conditions at an early stage, and to identify those who are worst affected by the crisis, as well as those who benefit most from a policy change.

The detailed nature of the EU-SILC survey together with the fact that crucial data, such as income or the calendar of activity,¹⁶¹ refer to the previous year¹⁶² leads to significant delays in data availability of up to two years. Efforts are being made by the European Statistical System to shorten these delays while maintaining good data quality for the standard SILC delivery.

The Commission is currently exploring different ways to speed up the monitoring of social trends at EU level. A number of options have been identified and their feasibility will be assessed by the European Statistical System in 2013:

1. **Early estimates of material deprivation** (and possibly subjective poverty, monthly income) based on faster treatment of SILC data. Material deprivation measures are already more timely than income-based data, as they refer to the survey year (N-1) rather than to the 'income year' N-2. In addition, they could be treated faster and published earlier. Analysis also shows that the 'economic strain' dimension of material deprivation is quite responsive to the effects of economic shocks.¹⁶³ This property could be reinforced by developing questions on a household's current situation. A few countries¹⁶⁴ have published early estimates of the poverty rate based on faster treatment of survey data about one year after the end of the income year.

161 'Calendar of activity' refers to the monthly information about the activity status of an individual during a reference year

162 It should be noted that the reference year of the income to the previous year allows the best possible measurement as the respondent has the fiscal declaration at his disposal

163 For instance, items such as 'ability to face unexpected expenses' or 'ability to afford a week of holidays away from home' have been responsive to the crisis while the main indicator was still stable.

164 A few countries have already produced or are planning to produce early estimates (ES, CZ, PT, RO, AT, LV, NL, SK).

2. **Alternative indicators used as early warnings of deterioration in social trends:**
 - **The financial distress indicator** derived from the EU harmonised consumer surveys, collected monthly. This is well suited to signal significant changes in the financial situation of households, by broadly defined income groups (self-declared income quintiles). This indicator is very timely (**a few months delay**) and is currently published by DG EMPL in the European Employment and Social Quarterly Review.
 - **Monthly current income** could be collected in a high frequency survey and used as an indicator *per se*, providing timely information on trends in incomes and their distribution, for broad age groups. If collected in the LFS, the indicator would be available with a delay of three to six months. The feasibility of such a system is to be assessed by ESTAT with national statistical offices in 2013.
3. **Nowcasts of the poverty rate** and related measures based on micro-simulation (taking into account policy and economic/labour market changes as far as possible). Nowcasts are estimates that are similar to economic forecasts, and would be available **in year N for income year N**. (see box on nowcasting with Euromod). The Commission is also testing the possibility of using the **monthly current income survey (or the financial distress indicator derived from EU harmonised consumer surveys)** to predict trends in poverty. The gain in timeliness would depend on the frequency of the survey used to collect such auxiliary variables.
4. Another type of information that is important to policy-makers concerns the **behavioural response of households in reaction to an income shock**¹⁶⁵ (due to unemployment, reduced working hours, separation, etc.), and the transmission channels through which household welfare is affected — labour markets, access to credit, government services.¹⁶⁶ This is especially useful in a downturn.
5. **Trends in the disbursement of social benefits, drawn from administrative sources, typically available on a monthly or quarterly basis** can provide timely information on increased pressure on safety nets. However, such measures are not comparable across countries and there may be major breaks in series when policies or administrative rules change. The SPC is currently monitoring the variables on the number of social benefit recipients/new registrations for selected social benefits.

Information on trends in the **number of clients of social services** (publicly provided, or through NGOs) — emergency services, shelters, soup kitchens, etc. — could also be collected more systematically and provide useful insight into pressure on social services. Currently, such information is only available on an ad hoc basis through service providers.

<i>Nowcasting with Euromod</i>

¹⁶⁵ Such a module has been run as a stand-alone survey or as a module in existing surveys (LFS, LITS) in a few EU and neighbouring countries (Bulgaria, Romania, Latvia, Croatia, Serbia) at the request of the World Bank.

¹⁶⁶ Examples of variables that can be envisaged include: the share of people having to reduce their expenses (by type of expenses — food, healthcare education, housing, etc.); the share of people having to draw on their savings or go into debt; the share of people who increase their working hours because their partner has lost their job; the share of people experiencing difficulties in accessing essential services (healthcare, education, housing, banking, etc.).

The method uses the micro-simulation model Euromod to adjust market incomes with what is known about their development (wages, prices, etc.) and simulate the effects of the current design of the tax and benefit system in 2012 (level of benefit, duration, conditionality, etc.). Further data adjustments are made to account for labour market developments between 2007¹⁶⁷ and 2012 (e.g. increase in unemployment). The method doesn't take account of demographic and other compositional changes. However, it makes it possible to predict the potential increase in the risk of poverty and other variables (including the poverty threshold) for the total population and specific sub-groups. It can also illustrate the contribution of different factors to the change, e.g. worsening labour market conditions or changes in the tax and benefit system.

The example below presents preliminary results to be interpreted with great caution. If they are confirmed, they would point to an increase in median incomes in LT and LV, probably due to the improvement of labour market conditions. At the same time, an increase in the risk of poverty among children and the elderly would also reflect measures taken to freeze/reduce some benefits (such as child benefits and minimum pensions) in these countries.

Example of nowcasting the development of income distribution up to 2012 on the basis of SILC 2008 data (2007 incomes) — Change in indicator since income year of latest SILC statistics

	Median	Gini ppts	AROP60 (all) ppts	AROP60 (<18) ppts	AROP60 (65+) ppts	Period
Estonia	12%	-0.3	0.6	-1.5	7.7	2010-12
Greece	-18%	1.6	0.1	2.3	-8.8	2010-12
Spain	-1%	0.1	0.0	1.0	-3.3	2010-12
Italy	1%	0.2	-0.2	-0.2	0.0	2009-12
Lithuania	8%	0.0	1.3	3.4	1.4	2010-12
Latvia	14%	0.9	1.3	-0.2	7.8	2010-12
Portugal	-3%	-1.4	-0.5	0.0	-2.1	2010-12
Romania	2%	-0.3	-0.3	0.0	-0.3	2010-12

Source: Euromod preliminary estimates — paper prepared for NetSILC2 conference December 2012. AROP60: at-risk-of-poverty rate (60 % of median)

The financial distress indicator

The Commission collects monthly information on consumer sentiment in the context of the programme of joint harmonised EU business and consumer surveys. These very timely surveys include a question on household financial situations, which has been used to derive a 'financial distress' indicator. The indicator focuses on households declaring that they had '*to draw on their savings or go into debt in order to meet current expenditure*'. Breakdowns are provided by household income quartile. These 'financial distress' data can provide a timely indication of trends in the share of the population whose households are facing financial difficulties, and how households in the different income quartiles have been affected by the crisis. The indicator shows that people with lower to middle income have seen their financial situation deteriorating faster than the rest of the population. In some countries, the gap is increasing very rapidly.

Furthermore, it can be used to some extent as an advance indicator of more established 'hard' indicators of trends in the social situation in many Member States, although the actual hard indicators it can predict depend on the particular Member State in question and there is no indicator/set common to all countries. The financial distress series may also help to signal when rather dramatic changes have occurred, i.e., when there are really noticeable developments in the underlying hard social indicators. Exploring its use as a key variable in a nowcasting model combined with a set of other potentially relevant, timely items seems worthwhile.

167 The EUROMOD model is currently being updated to refer to the latest SILC data available

Among the possible developments suggested above, some are well advanced (financial distress indicator, nowcasts, SPC data collection, etc.); others are being investigated and would require further investment. The Commission and the Member States would need to identify the most promising avenues and set priorities for further developments accordingly.

It is also important to identify what **use can be made of potential higher-frequency data** on the basis of national experiences and empirical analysis. Member States' current practices can be used as a source of inspiration; and time series will be analysed to identify the links between timely indicators and standard poverty and social exclusion measures.

It is crucial to consider a **communication strategy** on how to use and present these indicators¹⁶⁸ at EU level and in the Member States. The role of each indicator selected will need to be clarified, and the way in which they will relate to current measures of poverty and social exclusion explained. Good practice in the macro-economic field, in which a variety of indicators is used to assess and forecast the short-term developments in the economy, may provide inspiration here.

8.3 Improving the measurements of social outcomes

Being poor is primarily being short of money, hence the current focus on measures of income. However, there is a consensus that people who are deprived of dimensions of life thought to be essential in society — quality education, health and healthcare, employment, housing, access to public benefits, and social contacts — are also poor or excluded. This is why EU-agreed social inclusion indicators (used in the JAF, the SPPM or for the monitoring of the social OMC) go beyond income measures of poverty. However, a lot remains to be done to properly capture important aspects of poverty and social exclusion.

The definition of resources needs to take into account **imputed rent and the value of in-kind transfers**. The definition of **material deprivation** needs to be adjusted to trends in living standards in the EU. As the first set of longitudinal data becomes available, new analysis illustrates the importance of capturing the **dynamics of poverty and exclusion**. Finally, more work is also needed to reflect the gender dimension of poverty and exclusion, as well as the specific stages of the lifecycle, especially childhood and youth.

Awareness-raising campaigns and the impact of the crisis have highlighted **very severe forms of poverty and social exclusion** that persist within the EU, such as those facing the homeless, the Roma or people living in isolated rural areas. Specific measurement tools are needed to monitor their situation. The role of the EU in developing such tools and their use by policy-makers needs to be reviewed.

8.3.1 Non-monetary income components

In 2001, the report of the Canberra Expert Group on Household Income Statistics¹⁶⁹ identified four areas as the most fruitful for pursuing a fairer and more accurate picture of income distribution. These are (a) better estimates of property income, self-employment income and own-account production, (b) imputed rent for owner occupied housing, (c)

168 In a few countries, nowcasts are produced for the sole use of policymakers, but are not published.

169 The Canberra Group (2001) Final Report on the Expert Group on Household Income Statistics <http://www.lisproject.org/links/canberra/finalreport.pdf>

social transfers in kind or non-cash government benefits, and (d) capital gains (especially negative).

A number of academic publications have also underlined the importance of integrating **non-monetary income components into cash-based income measures**. First of all it can improve the comparability of distribution results across different population subgroups. For instance, the importance of non-cash income varies across age groups; this is true of in-kind benefits such as education and healthcare or of imputed rent which affect different population groups depending on the structure of home ownership. It can also improve comparability of results across countries, since cash and non-cash public transfers vary substantially across Europe, as does the extent and structure of home ownership.

'**Social transfers in kind**' are a type of income: they are goods and services provided by government and non-profit institutions for free or at subsidised cost. Obvious examples include healthcare, education, housing and childcare. They represent an economic advantage to the households that benefit from them, but since they have no directly identifiable monetary value, this advantage is very difficult to quantify. Research (See ESDE 2011) shows that most in-kind benefits have a redistributive role to the benefit of the poorest segment of the population. This is why Member States that invest significantly in benefits in kind wish this impact to be reflected in poverty measures.

Methodological work is currently being conducted by the Commission also taking account of the work done in the context of EU-financed projects (Net-SILC¹⁷⁰ and EC/OECD joint partnership¹⁷¹). Currently, there is no agreed or common standard for **valuing social transfers in kind** for the purpose of understanding the distribution of income. In the National Accounts, social transfers in kind are measured as the sum of costs. This valuation could serve as a starting point, but more information is needed on how total income is distributed across the population. Specific information on actual use of services (including health care) or on barriers to access may help in allocating the value of transfers in kind to different populations. Such information could be collected every five years, possibly in an EU-SILC module. The Commission, together with the European Statistical System, will explore this possibility in the context of the revision of the EU-SILC Regulation.

Imputed rent is meant to take account of the economic advantage that people get from occupying their own house or from living in subsidised housing. Given the very different home ownership structures in different European countries, not taking account of imputed rent can affect the comparability of poverty measures. The valuation of imputed rent is done in the context of national accounts and experts recommend that it be included in the definition of income (Canberra manual).

In the context of EU-SILC, all Member States are asked to estimate the value of imputed rent on the basis of a common methodology (since 2008). In principle, this variable can be added to the current definition of income. The impact on poverty rates and other distributional indicators is significant in all countries: it decreases at-risk-of-poverty rates by 1 percentage point on average in the EU, and by more than 2 percentage points in ES, IE, EL, IT and MT, but it increases them by 1 percentage point in DE and FR). The impact is especially strong when comparing different population groups. For instance, the

170 Net-SILC: a network for the analysis of EU-SILC financed by the European Commission (Eurostat) and bringing together data producers (national statistical offices) and data users.

171 EC/OECD joint partnership on the impact of publicly provided services on the distribution of resources.

risk of poverty of old people tends to drop significantly if the economic advantage they may draw from home ownership is added to their current disposable income.

While there is broad consensus on the importance of taking account of imputed rents to analyse and compare systems and the situation of different population groups, a number of issues are raised concerning their use in the measurement of poverty and call for further methodological and harmonisation work within the European Statistical System.

- The economic advantage derived from home ownership or subsidised rents is not entirely ‘liquid’. It is not obvious that imputed rents can entirely be used for consumption or savings. This is especially true of an old lady living in a large family house, or of people living in subsidised rented accommodation, most of whom are unable to afford housing on the private rental market. This also raises the question of whether primary incomes and their distribution would be the same if most of the population had to find housing on the private rental market.
- Imputed rents are not observed, and as such their value depends a lot on the model and assumptions used. It is also argued that while they are useful for analytical purposes, they are not suitable for descriptive statistics.

8.3.2 *Improving the measurement of material deprivation*

When adopting the targets of the Europe 2020 strategy, the Council asked for a **revision of the material deprivation indicator by 2015**, in the broader context of the mid-term target review. **Currently**, severe material deprivation is measured as the **enforced lack** of at least four items from the following list: *‘cannot afford (1) to pay rent/mortgage or utility bills, (2) to keep home adequately warm, (3) to face unexpected expenses, (4) to eat meat, fish or a protein equivalent every second day, (5) to take a one-week holiday away from home, (6) a car, (7) a washing machine, (8) a colour TV, or (9) a telephone.’* This indicator was adopted by the SPC as a **complement to the relative poverty indicators** based on current income, taking account of **non-monetary resources**. Because it is based on a single European threshold, this indicator is also a step towards a **more ‘absolute’ measure of poverty**. It captures the differences in living standards between countries, as well as the impact of growth on those standards in a given country.

The underlying idea is that **the cumulative enforced lack of a given number of items reveals a latent trait in people’s living conditions**, called material deprivation. However, the indicator adopted in 2009 had scope for improvement. The number of items was too **low** and some have **become obsolete** in today’s Europe (e.g. a colour TV, and a washing machine to some extent).

Making use of the 50 material deprivation items from the 2009 wave of EU-SILC, a proposal for a new indicator has been developed by a Eurostat Task Force on material deprivation¹⁷², on the basis of a detailed assessment of the dimensional structure of these 50 items, their suitability, validity, reliability and additivity. The **list of items currently envisaged includes**: not being able to afford some new clothes, two pairs of shoes, a meal with meat, chicken or fish every second day, to keep the home adequately warm, to pay for arrears (mortgage/rent, utility bills, hire-purchase instalments), to face unexpected expenses, the enforced lack of a personal car if needed, a computer with an internet connection, to replace worn-out furniture, some money for oneself, regular

172 Members of the Eurostat Task Force include representatives of national data producers (National Statistical Offices), of main users from DG EMPL, SPC-ISG and academia.

leisure activity, getting together with friends/relatives for a drink/meal monthly, one week's annual holiday away from home.

This list would provide a solid basis on which to build the revised indicator. The main **improvements** are: (1) a higher number of items, which makes the indicator more robust and less sensitive to individual items, (2) the improved relevance of the items. This revised indicator would be in line with the Council definition of poverty and social exclusion, which considered as poor **‘the persons whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the Member State to which they belong’**.

8.3.3 The dynamics of poverty and social exclusion

Poverty is not a permanent state and individuals might stay/exit/enter or even re-enter into it again. From a political point of view, it is crucial to reach out to those in persistent poverty, to prevent those who might enter (or re-enter) poverty from doing so, and to help others to escape from it. Evidence shows (ESDE 2012) that very different patterns of the dynamics of poverty prevail in the Member States.

A better understanding of poverty dynamics would help to target those most at need and better prevent the others from entering into persistent poverty. The longitudinal dimension of EU-SILC, which is beginning to be exploited, is a significant source of greater understanding even if some technical issues have until now inhibited its full use.

The modernisation of household statistics is an opportunity to improve the tools for longitudinal analysis (both in EU-SILC and in the LFS). Areas for the improvement of **longitudinal data** in EU-SILC include: (1) revised design allowing for longitudinal indicators with better precision and more reliable breakdowns; (2) fine-tuning of variables that could help to better identify the trigger events (job loss, family separation, health problem, etc.), and their dates of occurrence and their impact on poverty and social exclusion; (3) Improving follow-up of people by carefully implementing tracing rules and keeping contacts between dates of interview; (4) Description of non-respondents and control for usual bias limiting panel data (attrition, censoring, non-homogeneous non response). Key variables helping to evaluate the impact of social policies and different welfare regimes on those transitions would also be extremely valuable.

8.3.4 Capturing the gender dimension of poverty

Ample empirical evidence and academic research document the relative disadvantages that women face on the labour market (gender pay gap, the “glass ceiling”, etc.) as well as for their integration in society. However, on-going work at EU level on the development of a Gender Equality Index has highlighted that poverty and income inequality indicators only partially reflect these disadvantages. The main reason is that most indicators aiming to measure access to resources (income, material deprivation) are based on the assumption of equal sharing of resources within the household.

Existing information could nevertheless be better used to monitor the specific situation of women. In EU-SILC, a number of variables are collected at the individual level, in particular some of the income components (e.g. earnings), some material deprivation items (including from among the new list of items envisaged) as well as variables measuring access to services, such as an unmet need for medical care (see also section on access to services). These variables could be analysed more systematically in the context

of standard poverty analysis, and specific indicators could also be defined and integrated in the regular monitoring framework.

8.3.5 *Capturing the situations of children and youth*

Children

Major steps have been taken in recent years to improve the way in which the situation of children is captured. In 2008, the SPC report on child poverty¹⁷³ reviewed existing data and indicators that could be used to analyse the situation of children and provided a diagnosis of the main determinants of child poverty. The report made 14 recommendations to improve the monitoring of child poverty and well-being in the EU. A number of these have already been followed up at EU level.

The child dimension of existing EU indicators in the field of social inclusion and health has been strengthened through the development of new age breakdowns, as well as by refining the low work intensity indicator.

Data collection on child-specific deprivation through the 2009 EU-SILC thematic module on material deprivation has been substantially improved, and includes 20 child-specific items. These have been used by the Eurostat Task Force (with the support of Net-SILC 2) to produce a child deprivation indicator.¹⁷⁴ The regular collection of the list of child deprivation items is currently being discussed in the context of the SILC revision.

The Commission¹⁷⁵ and the SPC¹⁷⁶ have carried out extensive work to identify a list of indicators best suited to monitor child poverty and well-being. On this basis, the Commission has identified a set of indicators for monitoring children's situation in the Recommendation on Investing in Children, as part of the Social Investment Package.

Together with the OECD, the Commission has carried out a review of international surveys of children to identify what key indicators could be derived.¹⁷⁷ DG RTD has launched a call for tender¹⁷⁸ to set up an EU-wide longitudinal survey of children.

Other new steps could be taken as regards data and indicator development.

The current EU-wide surveys do not satisfactorily capture the **status of children in the most vulnerable situations** (for example this cannot be measured by SILC) and they could usefully be complemented with information relating to children outside traditional households (e.g., alternative care), coming from vulnerable or ethnic minority backgrounds, migrant children, children from an ethnic minority background, children with a disability. There should be specific efforts dedicated to exploring possible data sources and methodologies to collect data on these children.

173 European Commission (2008) *Child poverty and well-being in the EU: current status and way forward*.

174 The UNICEF has also used the child deprivation items collected in the SILC 2009 module to produce a child deprivation index, published in Report Card No 10. See: http://www.unicef-irc.org/publications/pdf/rc10_eng.pdf

175 Child poverty and child well-being in the European Union, TARKI Social Research Institute Hungary and Applica Belgium, published in January 2010.

176 Social Protection Committee (2012), SPC Advisory Report to the European Commission on 'Tackling and preventing child poverty, promoting child well-being' 27 June 2012.

177 OECD (2012) *An Evaluation of International Surveys of Children*

178 See 'Towards a European longitudinal childhood and youth survey' <http://www.2020-horizon.com/Towards-a-European-longitudinal-childhood-and-youth-survey-i763.html>.

While there are already important indicators on the **health status** of children, data on one important dimension of health inequalities children face, the social gradient, are not easily available. This could become a priority in future work to enable appropriate assessment and monitoring of policy interventions.

Existing information on participation in **childcare** is not sufficient to give accurate information on affordability and quality aspects. These are crucial for supporting parents who go out to work, and for child development. Better measures on affordability may be developed to enable improved monitoring, better informed policy-making and better assessment of the long-term impacts of quality early childhood education and care services. The 2014 EU-SILC thematic module on material deprivation could be used for collecting more information on early childhood.

Young people

The at-risk-of-poverty or social exclusion measurement raises issues that are peculiar to the 18 to 24 age group. Indeed, becoming poor is closely linked to the timing of departure from the parental home. This differs a lot across Europe. Since poverty and exclusion are measured at household level, youth poverty rates are higher in countries in which young people have access to their own resources and lower in countries in which achieving autonomy is more difficult. Scope for improvement will be discussed in an ad hoc expert group on youth indicators set up by the Commission (DG EAC).¹⁷⁹

In April 2010, the Employment Committee and its Indicators Group (DG EMPL) agreed on a definition and methodology for a NEET indicator to be used in the context of the Europe 2020 strategy. Young people aged 15-24 who are not in employment, education or training (NEETs) have a much higher risk of remaining unemployed, of experiencing poverty and/or of being socially excluded in the future than others in society.

8.3.6 Measuring the most extreme forms of poverty and social exclusion

In June 2010, the European Council called for more work on the measurement of severe forms of poverty and social exclusion. Specific methods are needed to capture the most severe forms of poverty. Methods include looking at more severe (lower thresholds, overlaps between deprivation and low income) and persistent forms of the existing measures of poverty. The analysis of the depth and duration of poverty and exclusion, as well as the accumulation of disadvantage reported in the ESDE 2012 could contribute to formulating of the most appropriate policy responses to severe poverty.

However, the main obstacle to measuring ‘extreme poverty’ is that our main sources (surveys, and to a certain extent registers) do not capture those who are most excluded from society. EU-SILC is not the appropriate tool for two main reasons.

(1) EU-SILC only covers private households, which means that those most excluded from society (the homeless, people living in institutions such as prisoners, migrants, elderly, mentally ill) do not answer the SILC questionnaire.

(2) The measurement of very low income through surveys or registers suffers from major quality problems, such as the treatment of negative income from self-employment, the high non-response among people in the most precarious situations, etc.

179 European Commission Staff Working Document – ‘EU indicators in the field of youth’ SEC(2011) 401.

Further work is needed on developing adequate measures of the different forms of extreme poverty. However, it is unlikely that a single indicator could capture what is at stake. A great deal of methodological work has already been carried out, not least to measure **homelessness** and housing exclusion, or the specific situation of the Roma. Concerning the **Roma and other ethnic minorities**, it has to be added that major legal and sociological barriers prevent the collection of statistics on ethnicity in most EU countries.

In the area of **homelessness and housing exclusion**, the Commission has asked Member States to collect specific information on the number of homeless people in the 2010 round of censuses (results due in 2013-14). The results of this data collection will be evaluated to assess the added value of such an exercise, and whether it should be repeated on a regular basis.

The Commission supports the development of relevant tools/infrastructure at national level through methodological work. The Commission is promoting the use of a harmonised nomenclature of situations of homelessness and housing exclusion (ETHOS), which should facilitate the compilation of data from different sources. It is also advocating the further involvement of national statistical institutes in the collection of data on homelessness, in partnership with service providers.¹⁸⁰

The Commission is also investing (in cooperation with the World Bank) in the development of **poverty maps** that aim to identify local areas of multiple and severe disadvantage, including areas where there are large concentrations of Roma. Such tools can support better targeting of policy intervention for Roma (including through the ESF), and other population groups living in areas that face multiple disadvantages.

180 See European Commission Staff Working Document 'Confronting homelessness in the European Union' SWD(2013) 42



Brussels, 20.2.2013
SWD(2013) 39 final

Social Investment Package

COMMISSION STAFF WORKING DOCUMENT

Follow-up on the implementation by the Member States of the 2008 European Commission recommendation on active inclusion of people excluded from the labour market - Towards a social investment approach

Accompanying the document

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Towards Social Investment for Growth and Cohesion - including implementing the European Social Fund 2014-2020

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1. ACTIVE INCLUSION: A EUROPEAN STRATEGY TO FIGHT SOCIAL EXCLUSION

Active inclusion entails reaching out to the most disadvantaged and enabling them to fully participate in society, including the labour market. It is one of the priority social policy areas at EU level. The 2008 European Commission recommendation on active inclusion introduced an ambitious plan for Member States based on the integrated implementation of three pillars: adequate income support, inclusive labour markets, and access to quality services.

Four years later, it is time to assess how Member States have responded. This Staff Working Document (SWD) prepared by the Commission with the support of various stakeholders has identified the main challenges to active inclusion implementation. These challenges include inadequacy, low coverage, and non-take-up of minimum income support, possible disincentives to work, in-work poverty, insufficient access to services, and lack of an integrated approach (including inadequate vertical and horizontal coordination, and lack of single access points). Intensified budgetary constraints in the context of the economic crisis and increasing demographic dependency ratios¹ have exacerbated the challenges to the proper implementation of active inclusion strategies.

The above challenges signal the importance for Member States and the Union to move towards a **social investment approach** highlighting — among others — the long-term benefits of active inclusion. Social investment seeks to develop people's human capital, improving their ability to participate in the labour market, while also preventing the greater social and economic costs that can arise from an unskilled workforce and people experiencing social exclusion. The successful implementation of active inclusion strategies will require well-coordinated and intensified efforts at local, national, and European levels, and this document contains concrete policy guidance to assist governments, civil society organisations, and practitioners.

1.1. Background

On 3 October 2008, the European Commission adopted a Recommendation on the active inclusion of people excluded from the labour market. This promoted a comprehensive strategy based on integrating three pillars of social policy: adequate income support, inclusive labour markets, and access to quality services.² The Council and European Parliament endorsed the strategy.^{3 4}

¹ See SWD on *Evidence on Demographic and Social Trends*, SWD(2013) 38.

² See Commission Recommendation of 3.10.2008 *on the active inclusion of people excluded from the labour market* (2008/867/EC published in the OJ L. 307/11 of 18.11.2008).

³ See Council Conclusions of 17 December 2008 on 'Common active inclusion principles to combat poverty more effectively'.

⁴ See European Parliament Resolution of 6.5.2009 on the active inclusion of people excluded from the labour market (2008/2335(INI)).

Active inclusion strategies aim to help integrate those who can work into sustainable, quality employment, and to provide enough resources with which to live in dignity for those who cannot. The three pillars cited above can achieve this by:

- 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.

The recommendation also calls for:

- (1) comprehensive policy design (by considering joint impacts, possible synergies and trade-offs),
- (2) integrated implementation,
- (3) policy coordination among various levels of governments, and
- (4) active participation of civil society organisations in the development, implementation and evaluation strategies.

The Commission has stressed the importance of **integrating** active inclusion policies. Piecemeal implementation will not achieve the results that a **concerted effort** on all three fronts can bring about to get people back into jobs, even if they have been among the long-term unemployed.

Active inclusion fits well into the **life-cycle approach** taken by the Social Investment Package, where exposure to the risk of poverty and exclusion is not static. A well-designed active inclusion strategy should enable individuals to quickly return to society, preferably through participation in the labour market. The recommendation emphasises the **importance of investing in human capital**, in line with the **Social Investment Package**. Strengthening inclusive labour markets should be done through ‘inclusive education and training policies’ that adapt to ‘new competence requirements’ and ‘the need for digital skills.’ Quality services also contribute to the development of human capital.

The pillars of **active inclusion are linked to social investment**. The one-stop-shop model promoted by the active inclusion strategy contributes to the efficiency and effectiveness of social protection systems. Activating and enabling policies and adequate livelihoods promote policies of inclusive labour markets and adequate income support. Investing in children and young people reinforces the importance of enabling services. Thus, the active inclusion strategy forms an integral part of the social investment approach.

At the outbreak of the economic crisis, the European Commission engaged in a concerted effort to realign European economies onto the path of smart, inclusive growth. This was reflected in the launch of the Europe 2020 Strategy. Member States endorsed this strategy, and most made explicit commitments towards achieving the targets — including those on poverty.⁵

⁵ European Council Conclusions, 17 June 2010, EUCO 13/10.

Three of the five headline targets of the **Europe 2020 Strategy** are related to the active inclusion policy. Pillar 2 of the active inclusion strategy (inclusive labour markets) which focuses on activating those furthest from the labour market is key for the achievement of the **employment target** (75% of those between the ages of 20 and 64 to be employed). The **education goals** can also be facilitated through active inclusion strategies by focusing on services (such as training, education) for those who are disadvantaged. Effective active inclusion is perhaps most relevant for **reducing poverty** (at least 20 million people fewer in poverty or at risk of it and social exclusion). Those furthest from the labour market are the core target of the active inclusion strategy.

The **European Platform against Poverty and Social Exclusion**,⁶ one of Europe 2020's seven flagship initiatives, argues that with the active inclusion strategy, the EU has a common set of principles to fight against poverty.

The adoption of the 2008 recommendation coincided with the start of the global financial crisis, which had a significant impact on the socio-economic environment. The financial crisis, followed by the sovereign debt crisis in Europe forced many governments to reduce public spending drastically, while the number of those unemployed and at risk of poverty rose sharply. Social protection systems have been put under pressure, and a number of Member States have been forced to reduce spending while faced with increased caseloads.

This document reviews the implementation of the recommendation at national level.⁷

Part 1 (chapters 1 and 2) of the document provides a synthesis of the analysis from Part 2, and gives concrete policy guidance based on the results of the analysis.

Part 2 (chapters 3 to 6) reviews policy developments at national level since the adoption of the 2008 Recommendation, focusing on the three pillars of the strategy. It looks at the challenges specific to each pillar as well as the issues related to the integrated delivery of the strategy. It also discusses the role of the social open method of coordination as well as the Europe 2020 Strategy in shaping European level social inclusion policies, and looks at relevant European level initiatives and strategies.

1.2. A brief synthesis

The summary table on the main policy characteristics (derived from Tables 1-4 of the Annex) suggests that the countries with the best outcomes are those with **policy characteristics comparable to the active inclusion principles**.

⁶ COM/2010/0758 final.

⁷ The review is based on several sources. First, the Commission asked Member States (via the Social Protection Committee (SPC) to complete a survey on active inclusion. The SPC also held two thematic surveillances on active inclusion in which selected Member States presented their strategies. A number of PROGRESS-financed activities have contributed materials to this report: reports written by the EU Network of Independent Experts on Social Inclusion, by MISSOC, and by EUROMOD. National Social Reports (2012) and National Reform Programmes (2011, 2012) were also used. The Indicators Sub-group (ISG) of the Social Protection Committee also worked on developing indicators for the strategy. Peer review seminars (under the auspices of the SPC) contributed to a better understanding of specific aspects of active inclusion. Civil society organisations participated in an informal consultation in which they expressed their views on implementation of the strategy. Finally, academic papers, documents prepared in-house by the Commission and reports from other organisations such as the OECD and the World Bank were used in the report. .

These countries (mainly from groups A and B) are characterised by high coverage and medium to high levels of generosity regarding income support (first pillar). They have low labour market segmentation, high activation (second pillar), high use of childcare, and high participation in education and training of those with a low standard of education (third pillar). However, their safety net benefit systems are more likely to create disincentives to work.

Ranked lower down are groups D and E with social protection systems **not in line with active inclusion principles**. Such systems are characterised by low coverage and low-generosity income support⁸ for working age people (first pillar), high labour market segmentation, mainly low activation (second pillar), low use of childcare, and low participation in education and training for those with a low standard of education (third pillar). However, their safety net benefit systems tend not to create disincentives to work.

Not surprisingly, there is a **high correlation** between the **situation of people facing poverty** in a given Member State, and **the robustness of that country's social protection system**.

⁸ Notice that these same systems are also often characterised by generous pension systems

Table 1. Summary of the main policy characteristics⁹

	First pillar		Second pillar	Third pillar
	<i>Unemployment benefits first level of safety nets</i>	<i>Other benefits second level of safety nets</i>	<i>Inclusive labour markets</i>	<i>Access to services</i>
Group A CZ FR NL AT SI SE (CY)	High coverage (SI) Medium to high generosity Long duration (CY) High disincentives	High coverage Medium to high generosity High disincentives (especially for second earners)	Low segmentation (FR) High activation (SI, CZ) No low wage trap	High childcare use (NL, AT, CZ) High participation in educ/training (FR, CY)
Group B BE DK DE FI UK	Very high coverage (UK) High generosity High disincentives (UK) Long duration (UK)	High coverage High generosity High disincentives (especially for second earners) UK	High activation (UK) Low wage trap	High childcare use (UK) Medium participation in educ/training (BE, UK)
Group C Ireland	Very high generosity High disincentives	Very high generosity High disincentives	High activation	Low child care use Low participation in education and training
Group D BG HU IT MT PL RO	Medium coverage (BG, PL) Low generosity Low disincentives	Low coverage (MT, HU) Low generosity Low disincentives	High segmentation Low activation Low wage trap especially for 2 nd earner (BG, RO)	Low childcare use Low participation in education and training (PL)
Group E EE EL ES LV LT PT SK	Low coverage Low generosity Low disincentives (LT, LV)	Low coverage Low generosity (except LT for lone parents) Low disincentives (except for 2nd earners in LT, LV)	High segmentation Low activation (ES, PT) No low wage trap	Medium childcare use (SK) Medium/Low participation in educ/training (PT, EL, ES)

See detailed tables in Annex (Outlier countries are signalled in *strikeout font* CC indicating that the given characteristic does not apply to that country)

The various assessment and evaluation exercises have identified the major challenges active inclusion policies face with respect to the three pillars.

First pillar: regarding **adequate income support**, the main challenges identified in the assessment are **adequacy and coverage** (both strongly affected by the recession), **non-take-up, and disincentives to work**. Though most Member States extended social benefits at the start of the crisis, the dropping of temporary stimulus measures and budget constraints since then have had a negative impact on adequacy and coverage (restricting eligibility) for some.

⁹ Based on data from: Eurostat EU-SILC, Eurostat LFS, OECD Tax and Benefit model, Eurostat LMP database, and OECD. No data available on coverage for CY, SE, FI, IE, and LT. No data available on adequacy of social assistance and housing support for CY and IT. No data available on unemployment and inactivity trap for CY. No data available on transition from temporary to permanent employment for DK and IE. No data available on poverty transitions for SE, DE, PL, PT, SK, and RO. No data available on low wage trap for CZ and FR. No data available on the use of formal childcare for CZ. No data available on housing overburden cost for DE.

Non-take-up is a matter of concern and needs to be carefully monitored. Member States have recognised the issue and most have introduced **measures to increase take-up**, including **simpler application procedures** and **better information for potential claimants** about entitlement and application procedures. ‘**One-stop shops**’ introduced in some Member States have also helped to boost take-up, by informing people applying for one benefit that they may be entitled to others.

Second pillar: inclusive labour markets. The main concerns identified in the assessment are **in-work poverty** and **disincentives** that may arise from tax and benefits systems. This continues to be a problem in a number of Member States. Ensuring that tax and benefits systems contribute to make work pay is essential to avoid poverty traps. Member States should make sure that proper incentives are in place, so that people can move smoothly from benefit support to employment.

Helping the most disadvantaged get back into work is crucial, given an ageing population and the on-going economic crisis. Stakeholders must **protect, up-skill and activate** dormant human capital. That is why it is important to understand how effective labour market activation programmes can boost their **earnings potential**,¹⁰ clear evidence for **investment that leads to smart and inclusive growth**.

Third pillar: access to quality services. This has been a problem for a number of Member States. Children are disproportionately affected by poverty. Access to services is often difficult for specific disadvantaged groups, such as the Roma, some groups of migrants, and people with disabilities.

High-quality services should be made available to all citizens to achieve the considerable redistributive and poverty-reducing potential of these services. Member States undertaking reforms to improve these services should bear in mind their poverty alleviating effects.

Member States have reported little progress in providing an **integrated comprehensive strategy for active inclusion**. Almost all are planning partial implementation, but have difficulties or challenges with integrated provision of active inclusion. These difficulties are often due to lack of **administrative capacity, or to the vertical and horizontal coordination** of the three pillars.

There are, however, some promising examples (e.g. IE, SI)¹¹ that can serve as models for others. At local level, the EU Network experts note that the introduction of ‘one-stop-shops’ in some Member States has been a successful way of ensuring effective coordination in delivering assistance under different schemes.

Civil society organisations have reported limited involvement in the design and implementation of active inclusion strategies at national level.

More needs to be done to fully implement active inclusion reforms, especially:

- reorganising frontline services to provide one-stop-shops for vulnerable people;
- modernising social protection systems towards greater effectiveness and efficiency;

¹⁰ In a study looking at 59 labour activation programmes from the US, on average the offices increased the programme group’s **earnings by 18%** compared to the control group. Source: World Bank presentation: Applying best practices from the OECD: Implementation challenges for employment activation programs in MICs, Istanbul, April 2012.

¹¹ Based on the SPC multilateral thematic surveillance on active inclusion (27 February 2012).

- linking employment policies with social support.

As a result of the assessment concrete steps are proposed below for both Member States and EU institutions.

2. GUIDANCE ON ACTIVE INCLUSION

This guidance identifies steps for sound social investment to implement active inclusion strategies. The Commission recommends improving the efficiency and effectiveness of Member States' income support programmes, especially with regard to adequacy, coverage, take-up and incentives to work, so that they can reach those most disadvantaged and deliver at full capacity.

The guidance promotes a holistic approach to active labour market policies, explaining:

- the optimal sequencing of activation
- the merits of personalised approaches for the most excluded
- how Member States can provide optimal tax and benefit support to encourage employment and reduce in-work poverty.

It also provides guidance on how to ensure access to enabling services, recommending a 'one-stop shop' approach, including better administrative coordination and capacity.

This guidance is also a tool for the Commission to assess Member States' performance in the European Semester and points to the way in which Structural funds can contribute to achieving poverty reduction and social inclusion targets.

The guidance can also be the basis for funding priorities on social innovation and social policy experimentation. It is backed by best practices and evidence presented in this document.

2.1. Adequate income support

2.1.1. What money can buy

Adequate livelihoods (income support) are an essential part of the active inclusion strategy.¹² The debate on the adequacy of minimum income measured in relation to the median income (whether it is 60%, 50%, or 40%)¹³ is not conclusive. In a recent paper,¹⁴ researchers from the University of Antwerp argue that only a minimum income level no higher than 40% would eliminate inactivity traps.¹⁵ One way to refocus attention

¹² See the chapter (4.1) on the first pillar of active inclusion in this document.

¹³ The European Parliament in its *Resolution the Role of minimum income in combating poverty and promoting an inclusive society in Europe* (reference — SP(2011)609) of 6 October 2010 states that 'adequate minimum income schemes must set minimum incomes at the level equivalent to at least 60% of median income in the Member State concerned.' On the other hand, the European Commission, in its 2008 recommendation on active inclusion does not provide a precise definition of adequate income support.

¹⁴ Frank Vandenbroucke, Bea Cantillon, Natascha Van Mechelen, Tim Goedeme, Anne Van Lancker (2012). *The EU and Minimum Income Protection: Clarifying the Policy Conundrum*, CSB Working Paper, No 12/5. .

¹⁵ 'The Europe-wide introduction of social assistance minimums equal to 60% of national median equivalent income would create a financial inactivity trap in no fewer than eleven Member States: in

on the importance of adequacy is by looking at **reference budgets**,¹⁶ which give a good indication of differences in consumption patterns and the cost of living across Member States. Reference budgets would be especially useful in those with low adequacy of minimum income (measured in relation to the median income).

- **Developing reference budgets** would enhance understanding of what expenses could be covered through minimum income support. The development and application of reference budgets should have **two phases**: 1. Design of reference budgets (timeline: max. one year);¹⁷ 2. Monitoring and updating of reference budgets (continuous).

2.1.2. Gradual phasing out of income support

Moving from social assistance (or other forms of income support) to paid employment creates a degree of disincentive. The exact degree depends on the difference between the value of the social assistance and the value of earned income. The closer the two, the bigger the disincentive to return to work. The way social assistance is phased out is also relevant. Immediate withdrawal creates more disincentives, while gradual withdrawal is less likely to deter someone from taking a job.

- **Structuring phase-outs¹⁸ in a way that strengthens incentives to take a job¹⁹ can help to end benefit dependency.** Phasing out should take into consideration the cost of doing so.²⁰

Bulgaria, Estonia, Slovenia and Lithuania, the net income of a single benefit recipient would be between 25% and 30% higher than the equivalent income of a single person working at minimum wage; in Spain and the Czech Republic, the relative advantage of the benefit claimant would amount to between 14% and 16%. Less severe dependency traps would appear in Hungary, Luxembourg, Portugal and the United Kingdom. If the minimum benefits were to be raised to 50% of median equivalent income, then the hypothetical unemployment traps would obviously be smaller, but they would still be substantial in the case of Lithuania, Slovenia, Estonia and Bulgaria (between 5 and 9%). Only if benefits were augmented to 40% of the median would it pay in all countries to switch from social benefits to the minimum wage.’ Pg. 26, Vandenbroucke et al. (2012).

¹⁶ Reference budgets (or budget standards) contain a list of goods and services that a family of a specific size and composition needs to be able to live at a designated level of wellbeing, along with the estimated monthly or annual costs thereof. Source: European Consumer Debt Network (2009). Handbook of reference budgets, pp. 5.

¹⁷ In the framework of the FP7-SSH Research Project ImPRovE (Poverty Reduction in Europe: Social Policy and Innovation — <http://improve-research.eu/>) a common methodology for the construction of cross-nationally comparative reference budgets will be developed and applied to five EU member states. (for details see: http://improve-research.eu/?page_id=174).

¹⁸ A recent example of gradual phasing out is the French *Revenu de Solidarité Active*.

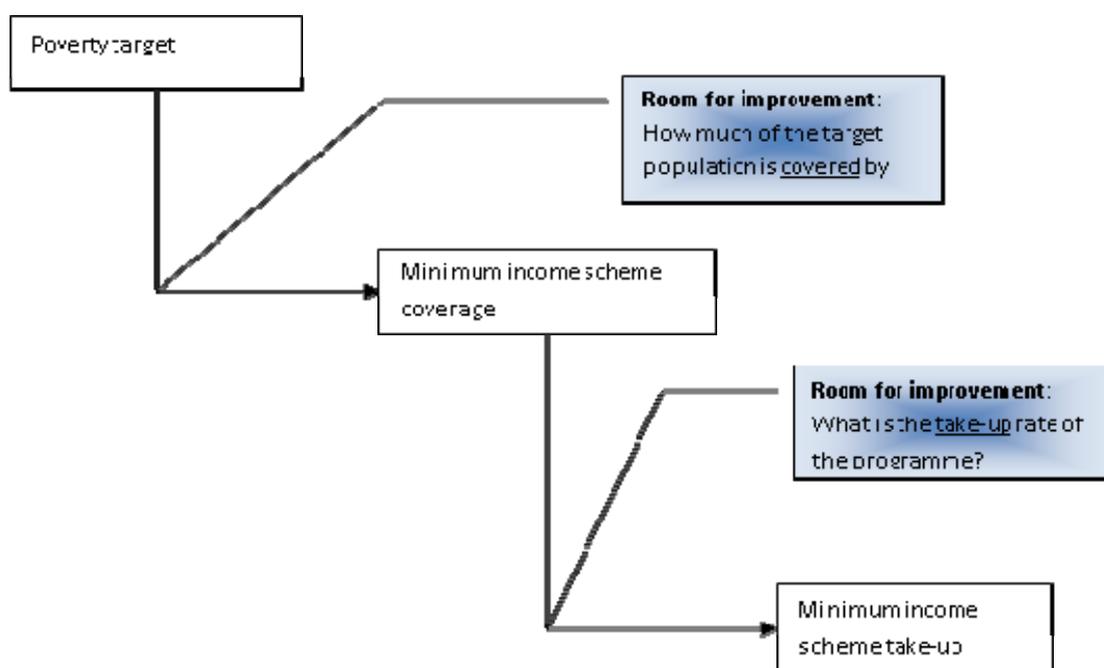
¹⁹ In Germany income support is not reduced at all for the first couple of hours of work, while phase-outs are quite steep for those working in jobs that could lift them out of poverty. The result is that there are many so-called ‘mini-job’ holders who remain dependent on benefits.

²⁰ Gradual phasing out may have budgetary implications. If the lower end of the income distribution is quite large (meaning that lot of people would participate in minimum income type programmes) then longer (or gradual) phasing out would result in higher overall spending. See: Marx et al. (2011).

2.1.3. Improving efficiency and effectiveness: reaching out to the most disadvantaged

Low coverage and **non-take up** directly affect the effectiveness and efficiency of the social assistance schemes. It is not enough just to have programmes. It is also important **to reach those most disadvantaged**, and ensure that policies are **delivering at full capacity**. Boosting the coverage and take-up of minimum income schemes will certainly contribute to reducing poverty.²¹

- **Simpler procedures and better information for potential beneficiaries** would boost take-up rates.
- Minimum income schemes should be **assessed in relation to their contribution** to achieving the national poverty targets.²²



- Besides horizontal comparisons (poverty target, minimum income coverage, and take-up rate), **cross-country comparison** of coverage and take-up rates should be carried out in the context of European Semesters.
- Use **social policy experimentation** to examine ways to better reach out to the people furthest from the labour market

‘Combating in-work poverty in Continental Europe: an investigation using the Belgian case’, Journal of Social Policy, 41/1, pp. 19-41.

²¹ As shown in the graph below, rather than just going ahead and creating new programmes, the coverage and/or take-up of existing programmes should be assessed first. So if, for example, the national poverty target is to reduce in-work poverty, then it is worth checking whether the working poor are eligible for social assistance. If not, eligibility could be extended. If yes, then the take-up rate should be checked. If it is low, then new measures targeting a group could be introduced to help reach the target. These might involve simplifying procedures, campaigns or automatic take-up.

²² If it is successful, the linking of poverty target could be extended to the other pillars of active inclusion (specifically to the various services).

2.2. Inclusive labour markets

Activation is only successful if there is a **concerted effort on both sides**:

- **demand side**: incentives to businesses, in line with the EU State aid rules (including support for investment in human capital, wage subsidies, tax allowances, etc.), can play an important role,
- **supply side**: Active labour market policies (ALMPs), support for life-long learning, tax credits, in-work support etc. are needed.

ALMPs cannot compensate for structural barriers to job creation, such as excessively strict employment protection legislation, and they cannot be expected to compensate for cyclical labour market downturns.

2.2.1. Proper sequencing and targeting of activation

Growing evidence on successful labour market programmes shows:

- **short-run impacts**: it appears that **job search assistance** programmes have relatively favourable **short-run impacts**,
- **medium-term impacts**: **formal education and on-the-job training programmes** tend to show better outcomes in the **medium-run**.²³

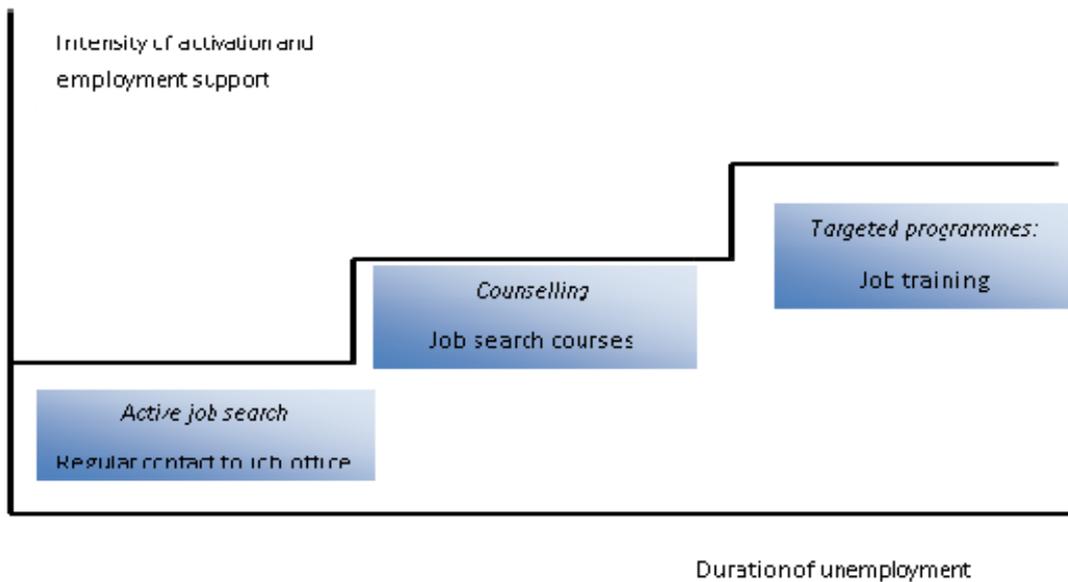
It is therefore extremely important to choose the **right** activation measures, taking into consideration the specific circumstances.

The **longer someone has been unemployed, the likelier they are to find it hard to get back into work**. The **duration** of unemployment is thus an important indicator, so programmes can be tailored to that criterion. **Young people who have dropped out of school** could be another example of a group requiring a specific programme.

- **Effective ALMPs** should be sequenced based on the duration of unemployment and the intensity of activation and employment support: from active job search, through counselling to targeted programmes.²⁴

²³ David Card, Jochen Kluve, and Andrea Weber (2009). Active labour market policy evaluations: a meta-analysis, IZA Discussion Paper, 4002.

²⁴ Based on the presentation of T. Andersen: Active labour market policy: Theory and Danish experiences, IZA/World Bank/OECD Conference on activation and employment support policies, April 2012, Istanbul, Turkey. For example: someone who has just lost their job may still have many links with the labour market through contacts with ex-colleagues, friends, etc. Their skills are also likely to be 'up-to-date', and marketable. So the immediate strategy should be an active job search. Only if this fails should job counselling be activated. Counselling should provide broader, individualised support suited to the individual's skills and field of work. If this fails, then it is time for targeted re-training to acquire marketable skills. This may be through job training, but may involve formal education or vocational training.



- **Activation and employment support programmes should be matched to specific client criteria.** For instance, extensive educational programmes could be made available only to young people who are unemployed and do not have formal education. **Investing** in the development of more sophisticated targeting (such as **profiling**) could shorten the time a person needs to find a job, while cutting the cost of activation.²⁵
- Proper sequencing of activation should be incorporated in the **individual contract**²⁶ between the recipient and the service provider.

2.2.2. *Providing optimal tax and benefit support to encourage employment and reduce in-work poverty*

Back-to-work benefits (such as gradual phasing out of income support, tax allowances and in-work benefits) and **earnings disregards** (income that is disregarded when it comes to assessing tax liability) complement ALMPs in making it more attractive to take a job. Taxing labour income is a prominent element of every Member State's tax policy. So it is important to understand the underlying relationship between taxation and labour

²⁵ A more sophisticated way of targeting programmes is through so-called **profiling** when **statistical programmes** are used to select which programme (if any) is expected to have the largest effect in reducing the length of periods of unemployment for a particular individual with given personal characteristics. The advantage of using statistical tools is that experience accumulated from all previous periods of unemployment can be used. See: Frölich, M., 2006, 'Statistical treatment choice: an application to active labour market programmes', IZA Discussion Paper, 2187.

²⁶ A contract setting out the rights and obligations between service providers and the participant empowers the individual and contributes to human capital development. Together with a benefit resembling a salary (i.e. taxable, dependent upon participation, extra work income from weekend work/evening work does not reduce the payments), it also improves motivation. The approach also sets out clear quality requirements and what the outcome should be. As such, the conditionality imposed goes both ways, increasing legitimacy and solidarity. It also facilitates monitoring of the quality and outcomes of the services rendered. .

supply. Evidence suggests that **secondary earners** are much more responsive to wages (and thus taxes) than primary earners. If the tax burden is too high, **secondary earners might decide they are better off not working, or (more rarely), working fewer hours.**²⁷ Disincentives can also stem from joint taxation.

Policy responses can only be effective if they take account of the fact that **low-paid work** and **in-work poverty** do not necessarily overlap.²⁸ Low-paid work is only one of the factors contributing to in-work poverty.²⁹ Thus, *if the goal is to reduce in-work poverty*, there is limited scope in using tax and benefit support on low-wage earners. Instead, targeting should focus on particular household types, chiefly single-earner households, or households with dependent children.

In-work poverty is strongly associated with single-earners, or with secondary earners who are women that may want to work part time. So supporting the latter through childcare **provisions** for working parents would yield good results.

- **Tax and benefit** incentives should be primarily targeted towards **low-income single-earner households**, to encourage them to take full-time jobs.
- **Offering** tax and benefit allowances to **families with children or dependents** would raise the likelihood of parents taking jobs, reducing child poverty.

2.3. Access to enabling services

The term ‘enabling services’ refers to various services essential to active, social, and economic inclusion policies. Social assistance services, employment and training services, housing support and social housing, childcare, long-term care services and health services³⁰ are all examples of such provision.

There is evidence that publicly³¹ provided services in **education, health care, social housing, childcare, and elderly care**, can do much to reduce poverty. They can also help to reduce **inequality**, thus reducing poverty across various groups.

The impact of publicly provided services can be relevant for:

²⁷ In the US, for every 10% reduction in after-tax wages, primary earners work about 1% fewer hours, for an elasticity of labour supply with respect to after-tax wages of 0.1. Secondary earners are much more responsive to wages (and thus taxes), with elasticities of labour supply with respect to after-tax wages estimated to range from 0.5 to 1. Source: Gruber (2011) Public finance and public policy, Third edition, Worth Publishers, pp. 628.

²⁸ Evidence suggests that the overlap is rather low — between 5 to 10 per cent in most industrialised economies Nolan, B. and Marx, I. 1999. ‘Low pay and household poverty’, Luxembourg Income Study, Working Paper, No 216. .

²⁹ See chapter on in-work poverty of European Commission (2011): Employment and Social Developments in Europe 2011.

³⁰ See Commission Recommendation of 3.10.2008 *on the active inclusion of people excluded from the labour market* (2008/867/EC published in the OJ L. 307/11 of 18.11.2008). .

³¹ The evidence available is on publicly provided services (OECD-European Commission (2011): The impact of publicly provided services on the distribution of resources). This does not exclude the possibility that privately provided services can also have an important role in reducing poverty.

- (1) **children** and **the elderly** because of their higher use of education and health services respectively;
- (2) **single parents** and **couples with children**, because of their higher use of education and childcare;
- (3) the **unemployed**, as they will benefit from employment and training services and
- (4) **households with high work intensity**.

When it comes to service delivery, there is evidence that **universal** service provision faces fewer problems related to **stigmatisation** compared to traditional, **targeted** social assistance benefits.³²

2.3.1. Investment in relevant services

- The specific poverty-alleviating effects of various services should always be borne in mind when planning reforms of service-providing systems. Investing in **enabling services**, including through Structural funds, and ensuring their accessibility and affordability and at the same time ensuring efficacy, can improve quality of life for different categories of disadvantaged people.

2.3.2. Personalised approach: high quality case handlers

- **Structural funds**, including the European Social Fund,³³ could be used to **support quality training of case handlers** to boost outreach to the most disadvantaged, for whom services can play a crucial support role. The type of support needed often depends on individual circumstances. High-quality case workers³⁴ can contribute significantly to job seekers successfully finding jobs. The Digital Agenda for Europe acknowledges the key role played by intermediaries and social actors and sets out different mechanisms to help them acquire digital knowledge and competences through the use of ICT.³⁵

2.4. Cross-cutting policy areas

Integrating the most relevant services with activation and income support would help hard-to-reach clients get access to the services they need. It would also reduce

³² Marx, I. (2010). Minimum income protection in post-industrial economies: on getting the balance right between incrementalism and innovation, in *Social protection for a post-industrial world*, ed. Kemp, P. A., International Studies on Social Security, vol. 15.

³³ See European Commission Staff Working Document - *Social Investment through the European Social Fund*, SWD(2013) 44.

³⁴ In the field of education, there is growing evidence that the quality of the teachers is an important factor in school performance. See at <http://mckinseysociety.com/how-the-worlds-most-improved-school-systems-keep-getting-better/>.

³⁵ See *Gdansk Road Map for Digital inclusion: a Hub for Social Innovation*, at: http://ec.europa.eu/information_society/activities/einclusion/docs/gdansk_roadmap.pdf.

administrative costs. Integration would be a step towards more effective, efficient social services, a prime example for social investment.

- **Setting up ‘one-stop shops’** would simplify the organisation, delivery and take-up of services. This approach requires:
 - *integration of information systems* to reduce duplication, provide the basis for a holistic, personalised approach to service delivery and help fight fraud;
 - *integration of employment services with social assistance services and enabling services*;
 - *reducing the complexity of accessing services* by simplifying eligibility requirements;
 - *improving coordination* among different levels of government (central, regional or local) to improve overall service delivery. Cohesion funds could be used to improve administrative capacities at various levels of government;
 - *coordinating tax and benefits systems* and looking at the impact of various programmes at the level of the individual.
- **Participation of relevant stakeholders** should be built into the design and evaluation of national active inclusion strategies in line with the 2008 recommendation on active inclusion.

3. POVERTY AND SOCIAL EXCLUSION AMONG PEOPLE OF WORKING AGE: MAIN DEVELOPMENTS AND COUNTRY CHARACTERISTICS

3.1. Main trends since the Recommendation’s adoption

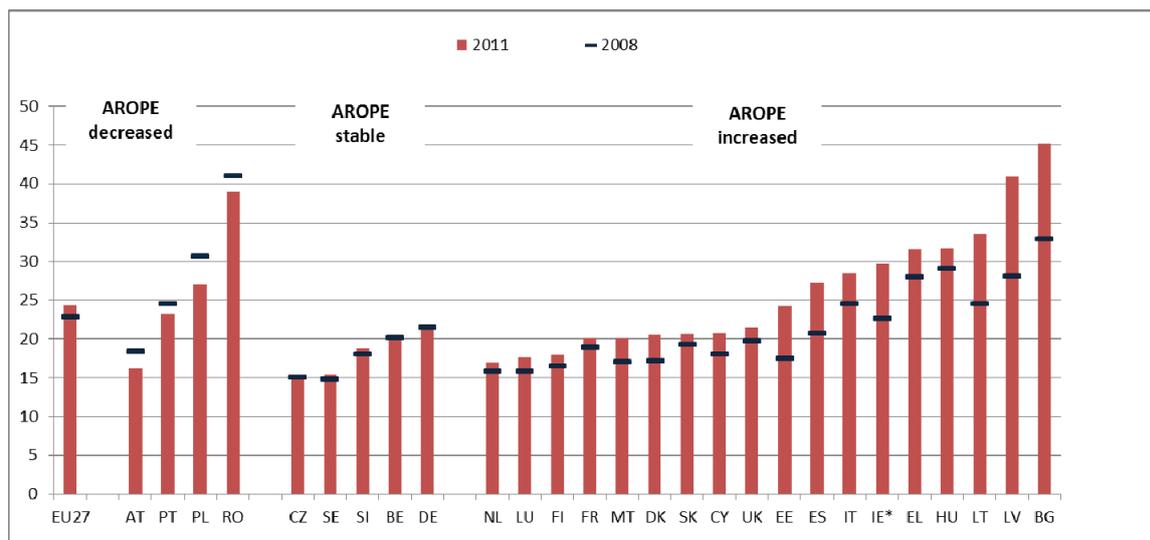
Recent data on poverty and social inclusion suggest there were 120 million people **at risk of poverty or social exclusion** in the European Union in 2011, about 24% of the population. The at-risk-of-poverty rate was especially high for children, lone parents and older workers. Nearly two-thirds (77 million) of this group were of working age.

Between 2008 and 2011, **those of working age³⁶ were most directly affected by the crisis** and its impact on the job market and opportunities. Their risk of poverty and social exclusion rose in nearly two-thirds of EU countries and by 5 percentage points or more in the Baltic States, Spain, Ireland and Bulgaria. The apparent decrease or stability of the rate in countries that were seriously affected by the crisis (Portugal, Greece) is partly due to the counter-intuitive³⁷ stagnation or decrease in the relative poverty rate (*see section below*).

³⁶ Working age is defined as individuals between 18 and 64. .

³⁷ If the median income decreases, that also lowers the poverty threshold, which is measured as 60% of the median household income.

Chart 1: Share of working age (18-64) population at risk of poverty and social exclusion³⁸ (%); 2008-2011



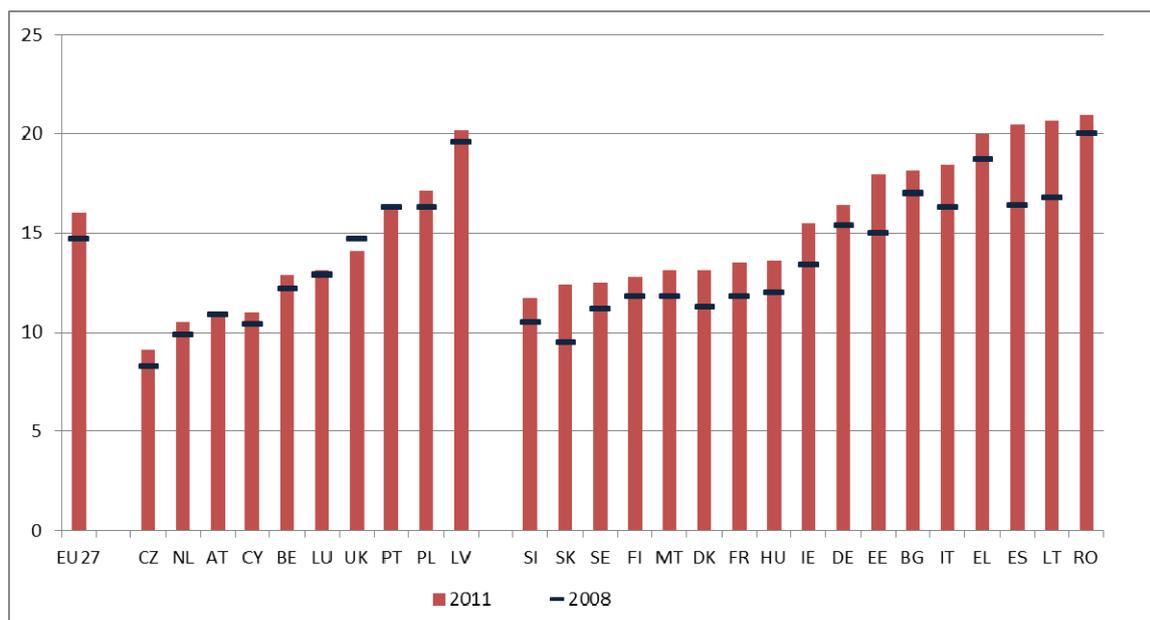
Source: Eurostat; EU-SILC (2011 income year 2010); except for IE (SILC 2010 income year 2010).

Poverty is primarily about living on a low income. The risk of poverty³⁹ among those of working age remained stable on average at EU level, but rose in nearly two-thirds of EU countries. The rise exceeded 2 percentage points in Estonia, Ireland, Italy, Lithuania, Slovakia, and Spain. However, the data may underestimate the actual deterioration in living standards among the poorest in these countries, as well as in the countries that show smaller changes in the incidence of relative poverty, as explained below.

³⁸ The indicator sums up the number of persons who are at risk of poverty, severely materially deprived or living in households with very low work intensity. Persons present in several sub-indicators are counted only once. Persons at risk of poverty have an equivalised disposable income below 60% of the national median equivalised disposable income after social transfers. Material deprivation covers indicators relating to economic strain and durables. Persons are considered to be living in households with very low work intensity if they are aged 0-59 and the working age members of the household worked less than 20% of their potential during the past year.

³⁹ The at-risk-of poverty rate measures the share of people living with less than 60% of the median income in their country. This is the threshold under which resources are considered too low to be able to fully participate in the society.

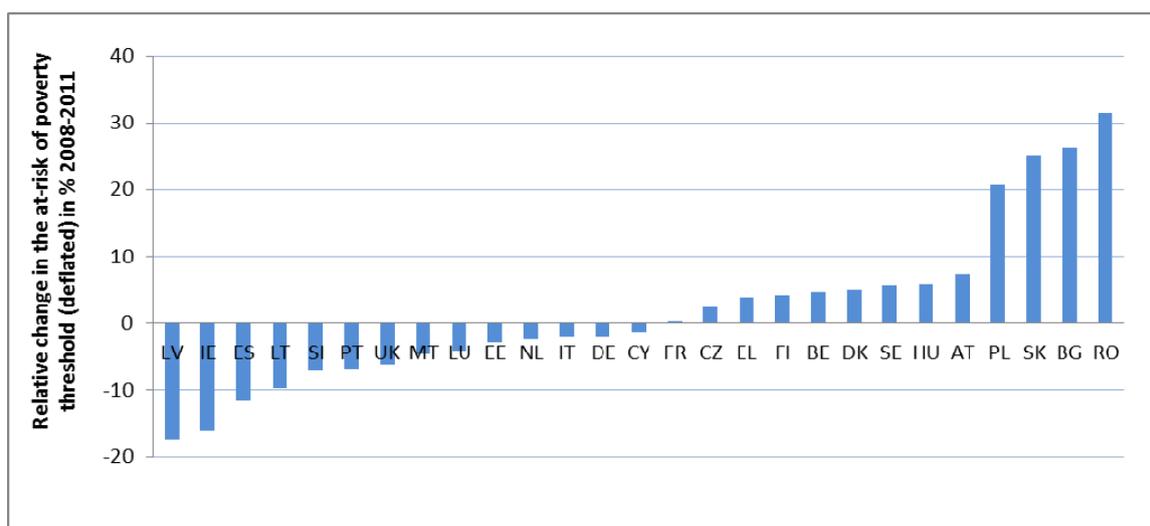
Chart 2a: Share of working age (18-64) population at risk of poverty (%); 2008-2011



Source: Eurostat; EU-SILC (2011 income year 2010); except for IE (SILC 2010 income year 2010)

Changes in relative poverty have to be interpreted together with trends in the poverty threshold. During the crisis, the general fall in incomes led to a significant drop, by 5% or more, in the level of the poverty line (that is, the actual income of a person living on the poverty line) in Latvia, Ireland, Spain, Lithuania, Slovenia, Portugal and the UK. This indicates a sharp fall in the living standards of the poorest in these countries, including those in which the incidence of relative poverty remained stable.

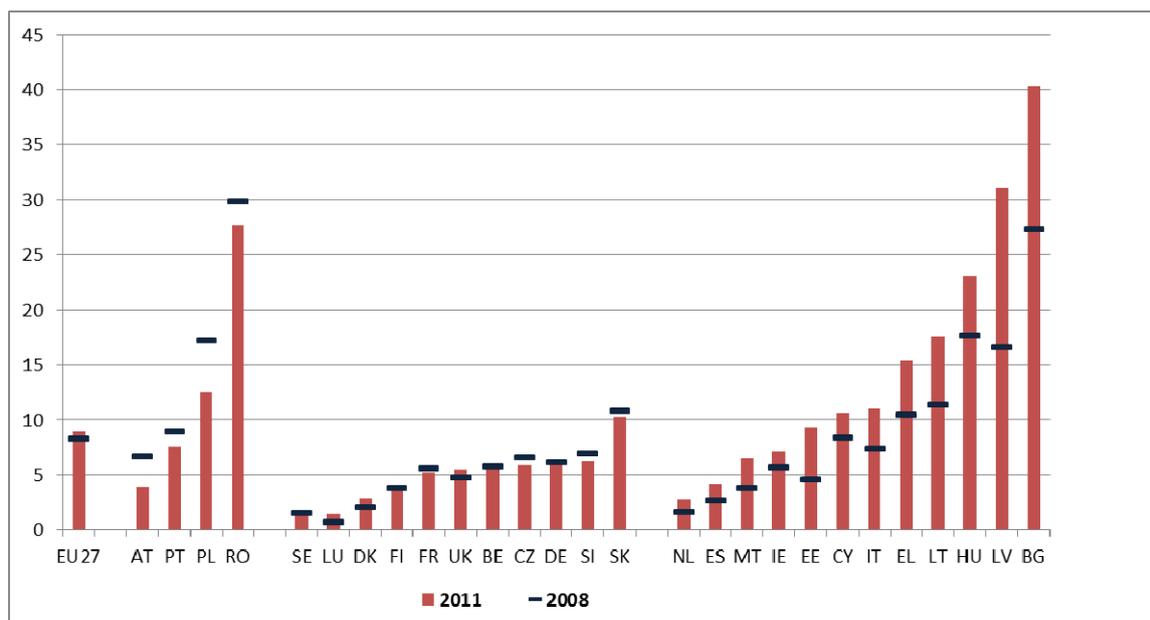
Chart 2b: Evolution of the at-risk of poverty threshold (% change between 2008 and 2011)



Source: Eurostat; EU-SILC (2011 income year 2010); except for IE (SILC 2010); at risk of poverty threshold in national currency (in Euro for CY and SK), deflated.

8.8% of the EU-27 working age population suffered from **severe material deprivation**⁴⁰ in 2011. As it is based on a single European threshold, this indicator reflects better the stark differences in living standards across the EU. In 2011, the severe material deprivation rate exceeded 30% in Bulgaria and Latvia and exceeded 20% in Hungary and Romania. The chart below shows the deterioration of the situation in the Member States among those most severely hit by the crisis. The deterioration was especially severe in Latvia, Lithuania, Hungary, and Greece (at least 5 percentage points).

Chart 3 Developments in severe material deprivation across EU Member States among the working age population (18-64), 2008-2011

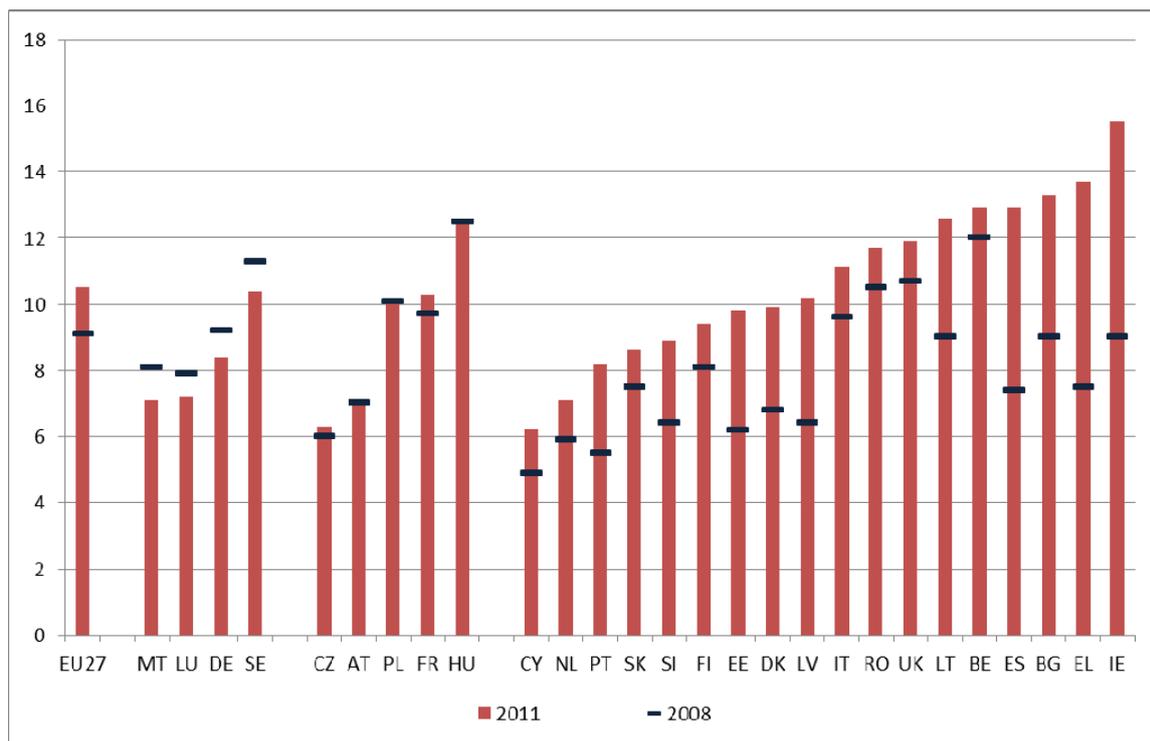


Source: Eurostat; EU-SILC (2011); except for IE (SILC 2010). Unlike income, material deprivation refers to the survey year.

Exclusion from the labour market is another driver of poverty in the EU, especially in households where no-one holds a job. The crisis pushed many households out of the labour market, as shown in the chart below. Most Member States saw sharp rises in the rate of people living in jobless/very low work intensity households. The trends are particularly worrying in Ireland, Greece, Spain, and Bulgaria (over 4 percentage point deterioration between 2008 and 2011).

⁴⁰ The severe material deprivation rate represents the proportion of people who cannot afford at least four of the nine following items: 1) (arrears on) mortgage or rent payments, utility bills, hire purchase instalments or other loan payments; 2) one week's annual holiday away from home; 3) a meal with meat, chicken, fish (or vegetarian equivalent) every second day; 4) unexpected financial expenses; 5) a telephone (including mobile phone); 6) a colour TV; 7) a washing machine; 8) a car and 9) heating to keep the home adequately warm.

Chart 4 Developments in the share of people living in jobless households⁴¹ across EU Member States, 18-59 (not students) 2008-2011

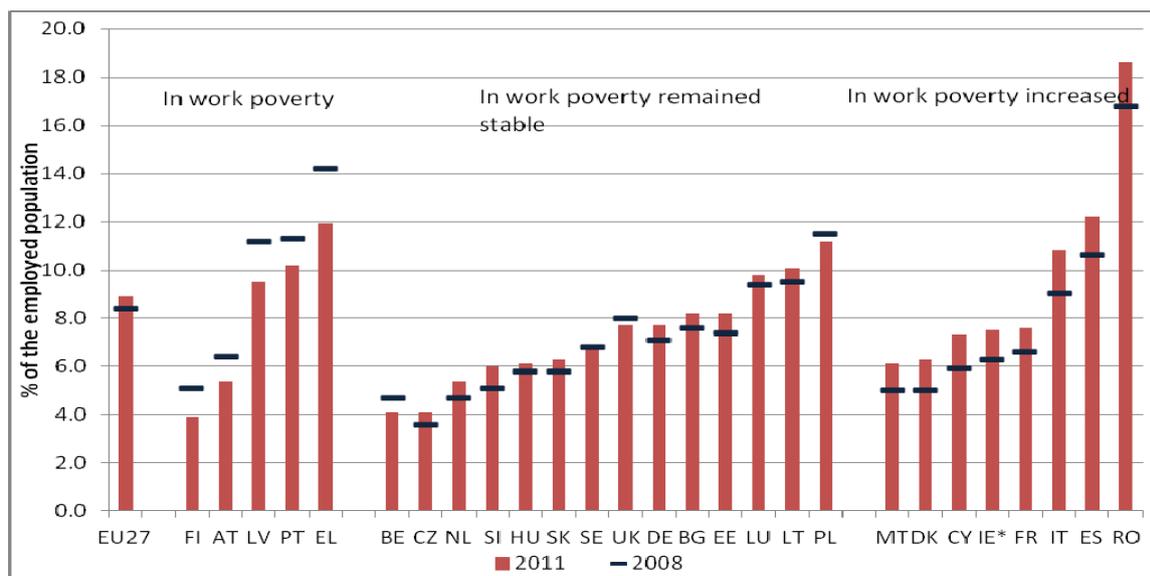


Source: LFS

Holding a job does not always protect a household from the risk of poverty. The **working poor** account for a third of adults of working age who are at risk of poverty. In 2011, almost 9 % of those with jobs were living under the poverty threshold. In-work poverty rose significantly in a third of EU countries (MT, DK, CY, IE, FR, IT, ES, and RO) between 2008 and 2011. In-work poverty applies to situations in which there are not enough adults working in a household, or where they are not working enough hours to earn a living. It is also linked to poor labour market conditions such as low pay, low skills, precarious employment and under-employment. Single-parent households and single households in which the breadwinner is not working full time, as well as single-income families face the highest risks of poverty (often these being women or young people).

⁴¹ Share of people living in a household where no one is working.

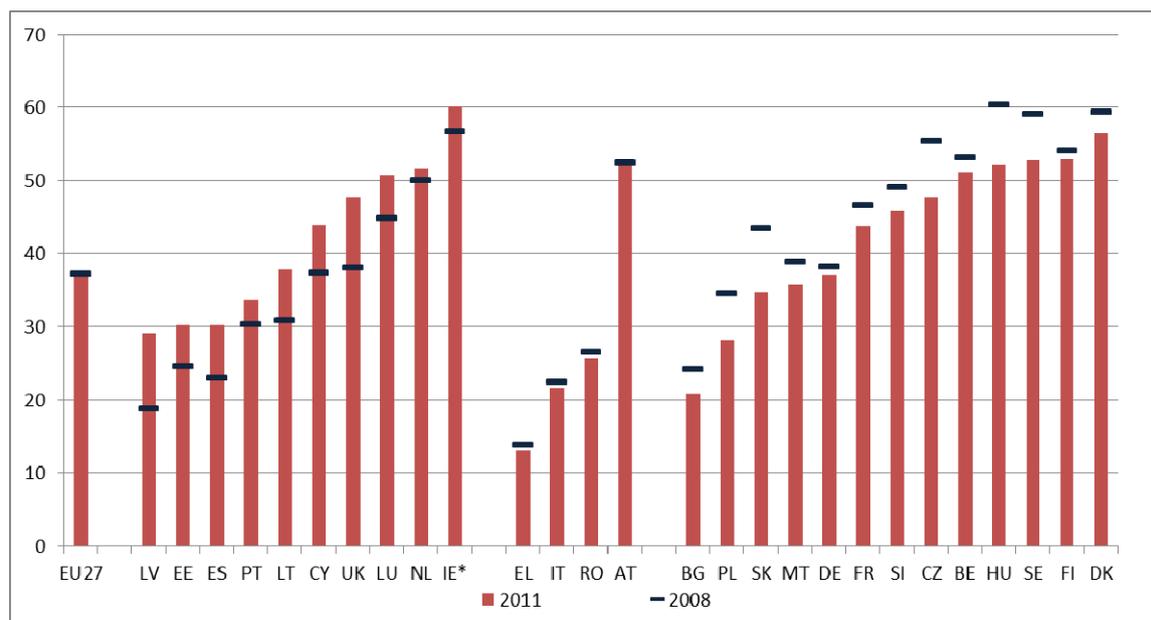
Chart 5 Developments in the level of in-work poverty across EU Member States among the working age population (18-64), 2008-2011



Source: Eurostat; EU-SILC (2011); except for IE (SILC 2010).

Social transfers play an essential role in providing support to both those that are without jobs, and those that are transitioning into the labour market (and may face low-paying jobs). Their impact in reducing the risk of poverty of those of working age varies greatly across EU countries, from less than 25% of the risk of poverty before social transfers in BG, EL, and IT, to more than 50% in BE, IE, DK, FI, SE, HU, NL, LU, and AT. These variations reflect differences in levels of poverty before social transfers, in levels of spending, and in the design of taxes and benefits systems. During the crisis, the impact of social transfers has increased in nearly half of EU Member States, including some of those worst hit by the crisis.

Chart 6 Impact of social transfers (not pensions) in reducing the risk of poverty of the working age population, 2008-2011



Source: Eurostat; EU-SILC (2011); except for IE (SILC 2010), DG EMPL calculation. Impact of social transfers is calculated as the relative change in the at-risk-of-poverty rate before and after social transfers.

3.2. Grouping countries according to their main challenges

Poverty and social exclusion among those of working age are driven by multiple factors, including **exclusion from the labour market, insufficient earnings from work for the employed and his/her family and inadequate income support for those who need it.** Different factors prevail in different countries. A cluster analysis based on five indicators⁴² of the main drivers can group countries according to the main challenges they face. It shows that countries that perform well on all drivers have good outcomes and relatively less poverty, while those that show bad performance on one or more drivers have the worst outcomes.

Table 1. Clustering of MS based on the following drivers: jobless households, long-term unemployment (LTU) rate, impact of social transfers on poverty reduction, activity rate, in-work poverty, and related poverty outcomes

Drivers	Outcome	Countries
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⁴² The five indicators are jobless households, long-term unemployment rate, impact of social transfers on poverty reduction, activity rate, and in-work poverty. These indicators are also those used in the Joint Assessment Framework to assess the policy area ‘active inclusion’.

<p>Group A</p> <ul style="list-style-type: none">  Low share of jobless households  Low level of long term unemployment  Impact of social transfers is high  Relatively high level of activity rate  Low level of in-work poverty 	<ul style="list-style-type: none">  Risk of Poverty  Poverty gap  Persistent poverty 	CZ FR NL AT SI SE (CY)
<p>Group B</p> <ul style="list-style-type: none">  Relatively high share of jobless households  Low level of long term unemployment  Impact of social transfers is high  Relatively high level of activity rate (BE)  Low level of in-work poverty 	<ul style="list-style-type: none">  Risk of Poverty  Poverty gap  Persistent poverty 	BE DK DE FI UK
<p>Group C</p> <ul style="list-style-type: none">   Very high share of jobless households   Very high level of long term unemployment  Impact of social transfers is high  Low level of activity rate  Relatively low level of in work poverty 	<ul style="list-style-type: none">  Risk of Poverty  Poverty gap 	IE
<p>Group D</p> <ul style="list-style-type: none">  Relatively high share of jobless households  Low level of long term unemployment   Impact of social transfers is very low   Very low level of activity rate  Relatively high level of in-work poverty 	<ul style="list-style-type: none">  Risk of Poverty  Poverty gap  Persistent poverty 	BG RO HU PL IT MT
<p>Group E</p> <ul style="list-style-type: none">  Relatively high share of jobless households   Very high level of long term unemployment  Impact of social transfers is low  Relatively high level of activity rate  High level of in-work poverty 	<ul style="list-style-type: none">   Risk of Poverty  Poverty gap  Persistent poverty 	ES EL PT LV LT EE SK

Source: EU-SILC 2010, and EU LFS 2011, European Commission (DG EMPL) calculation. Groups are obtained by cluster analysis based on five variables for the working age population: share of the population living in zero or very low work intensity households, long-term unemployment rate, impact of social transfers in reducing poverty, activity rate and in work poverty rate. Country scores are calculated with reference to the EU average.

Notes: LU is treated as a ‘shadow country’ not influencing the clustering, since it presents outlier values. Countries in brackets are to be considered as on the edge of the cluster.

Group A includes CZ, FR, NL, AT, SI, SE, and (CY) characterised by fewer people excluded from the labour market, low levels of in-work poverty and above-average impact of social transfers. They are among the countries with the least poverty among those of working age.

Group B includes BE, DK, DE, FI and the UK. These countries are quite similar to group A, but have more people living in jobless households. They are among countries with the least poverty for those of working age, though rates are slightly higher than for group A.

Group C singles out Ireland, characterised by a very high number of people living in jobless households and low activity rates, combined with social transfers that have a high impact on reducing poverty. Ireland combines a relatively high risk of poverty with a low poverty gap.

Group D includes BG, IT, HU, MT, PL and RO which combine low activity rates, low impact of social transfers and a medium to high number of people in jobless households and in-work poverty. They are among countries with a medium to high risk of poverty for those of working age.

Group E includes the Baltic States, ES, PT, EL and SK which combine high levels of long-term unemployment, average activity rates, social transfers with a low impact and a medium to high number of people in jobless households and in-work poverty. They are among countries with a high incidence and persistence of poverty for those of working age.

This clustering is used throughout this document to assess the performance of Member States, based on indicators relevant for the three pillars of active inclusion.

4. REVIEW OF ACTIVE INCLUSION STRATEGIES AT NATIONAL LEVEL

4.1. Adequate income support⁴³

The 1992 Council Recommendation on sufficient resources⁴⁴ called on Member States to recognise the individual's right to sufficient resources and to provide adequate income support, based on an evaluation of the resources necessary for a life in dignity. Such support should be combined with an availability to work and the system should avoid creating inactivity traps.

Minimum income schemes are central among the range of measures in place across the EU, given that they are non-contributory safety nets of last resort. This review shows persistent differences among Member States as regards the level of coverage. There are also challenges in reaching those experiencing the worst forms of poverty, for instance, the homeless. The evidence suggests that one of the issues is the number of people who do not take up schemes for which they are eligible. Minimum income schemes *alone* are in any case insufficient to lift beneficiaries out of poverty. They intervene as a last resort and generally interact with other benefits schemes.

Adequate income support aims to ensure that those who do not have enough of their own resources to live in a manner compatible with human dignity may do so, whether or not they are fit for work. That is consistent with the 1992 Council Recommendation which called on Member States to recognise such a basic right.

⁴³ This section is based on the partial reproduction of the *Joint report on social protection and social inclusion 2010*, pages 54-65 (European Commission, 2010).

⁴⁴ Council Recommendation of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems (92/441/EEC).

In assessing **adequate income support**, it is important to distinguish between **two levels of safety net for the working age population**.

The first level of safety net is mainly⁴⁵ represented by the unemployment benefit system. Most people who lose their jobs usually receive some form of unemployment benefit in the first instance. Well-designed insurance-based unemployment benefit systems with broad coverage should in principle limit the need for last-resort schemes. Spending on unemployment benefits is also quite significant in overall spending on social protection.

The **first level of safety nets** is reviewed regarding the **coverage, adequacy and labour market friendliness** (presence/absence of financial disincentives) of benefits (see Annex, Table 1).

Group A and Group B (as defined in section 2.2) include the countries that do well in terms of coverage, generosity, and duration in the first level of safety nets (with the exception of UK and CY). High generosity, however, comes with higher disincentives to return to the labour market (higher than average unemployment traps⁴⁶).

At the other end of the spectrum, countries belonging to groups D and E (eastern and southern European countries) are characterised by low coverage, low generosity, low duration, and benefit systems with low disincentives. Without a strong first-line safety net system, the bulk of the burden falls on last-resort schemes, such as social assistance.

The second level of safety nets complements the first one. It is based on various benefit systems, **mainly minimum income schemes**. They are designed for those who are not eligible for unemployment benefit or other forms of replacement income, though they may have previously been so. These schemes can play an important role at times of prolonged economic downturn, as growing numbers of the unemployed become ineligible to collect unemployment benefits.

Both levels are reviewed in relation to the **coverage, adequacy, and labour market friendliness** (financial disincentives to work) of benefits (see Annex, Table 1). The patterns are similar to those seen for the first level of safety nets: Scandinavian and Benelux countries as well as AT, CZ, FR and DE have more comprehensive safety nets (high coverage, generosity), but also higher disincentives to return to work (higher than average inactivity traps⁴⁷), while, in general, eastern and southern European countries have safety nets characterised by low coverage and generosity, but lower disincentives to work.

Thus, countries in groups D and E do not have adequate safety nets, whether at first or second level. These countries face significant difficulties in addressing the social consequences of a serious economic downturn.

⁴⁵ Disability and sickness benefits are not included here.

⁴⁶ The **unemployment trap** — or the implicit tax on returning to work for unemployed persons — measures the part of the additional gross wage that is taxed away in the form of increased taxes and withdrawn benefits such as unemployment benefits, social assistance and housing benefits when a person returns to work from unemployment.

⁴⁷ The **inactivity trap** — or the implicit tax on returning to work for inactive persons — measures the part of additional gross wage that is taxed away in the case where an inactive person (not entitled to receive unemployment benefits but eligible for income-tested social assistance) takes up a job. In other words, this indicator measures the financial incentives to move from inactivity and social assistance to employment.

In the remainder of this section, the focus is **primarily on minimum income (MI) schemes for people of working age** given that active inclusion aims at people furthest from the labour market (potentially the main group to benefit from such schemes of last resort).⁴⁸ The focus on working age is due to the strong labour market reintegration component of the strategy. Minimum income schemes provide cash benefits to ensure a minimum standard of living for individuals (and their dependants) that have either no other means of financial support, or whose resources fall short of a given level, despite including contributory cash benefits and support from other family members. MI schemes are considered as ‘schemes of last resort.’ They provide a safety net to protect people from destitution if they are not eligible for social insurance benefits, or are no longer entitled to such benefits. **They play an even more important role in a crisis,** when the rise in unemployment has already had an impact on social assistance schemes.⁴⁹

Almost all EU countries have some form of MI scheme at national level. Member States that do not have one, such as Italy, have some sort of scheme at regional or local level. These are generally conceived as a short-term form of assistance, though in most Member States, they are not formally time-limited. They are means-tested and funded through the tax system (i.e. non-contributory). They are intended mainly for people out of work, but some Member States (CY, DE, LT, FR, PT, RO, SI, SE and IE) have extended their scope to provide in-work income support.

4.1.1. Institutional features of minimum income schemes in EU countries

In most Member States, MI schemes are designed at national level, while delivery is delegated to the local authorities.⁵⁰ An examination of various national definitions⁵¹ shows that most Member States use a **statutory minimum level of income**, fixed by the (national, regional, local) legislator or government. Further classifications are possible along territorial arrangements, type of benefits (cash vs. in-kind), and existence of top-ups (or income tapers). Minimum income benefits in general are adjusted periodically.⁵² In none of the Member States is the minimum income level linked to national minimum wage.

⁴⁸ The analysis presented in this section relies on the work conducted by the EU Network of national independent experts on social inclusion, and particularly on the Synthesis Report drawn from their work (Frazer H. and E. Marlier (2009) ‘Minimum income schemes across EU Member States. Synthesis Report’).

⁴⁹ Social assistance (SA) schemes represent the broader category including MI benefits together with other types of benefits such as housing benefits, child benefits and unemployment assistance benefits.

⁵⁰ In a few Member States, like Austria and Hungary, responsibility for policy decisions on SA benefit levels and eligibility conditions is partly delegated to regional/local governments.

⁵¹ MISSOC Analysis (2011). *Guaranteed Minimum Resources*, MISSOC Secretariat for the European Commission, Contract nr. VC/2010/1131.

⁵² Most Member States do automatic adjustments following changes in the consumer price index (in some countries an increase will only take place if the consumer index is raised by a certain percentage (CZ, LU, BE)). Some Member States will only adjust at irregular intervals after a decision by the government (LT, EE), while in other countries this will depend on the available budgetary resources (BG, LV). However, the periodicity of adjustment varies from every 6 months (SI, NL), to each year (almost all Member States), up to once every 3 years (PL), or at irregular intervals (LT, EE). Source: MISSOC Analysis 2011.

The design of MI schemes varies widely among Member States. In terms of **comprehensiveness** (i.e. the extent to which MI schemes are non-categorical, thus applying to those on low incomes in general, rather than to specific subgroups), four ‘broad’ groups of countries can be distinguished.⁵³

- **Group 1 (AT, BE, CY, CZ, DE, DK, FI, NL, PT, RO, SI, SE)** is characterised by relatively simple and comprehensive MI schemes, generally open to those without sufficient means to live in dignity.
- **Group 2 is smaller (EE, HU, LT, LV, PL, SK).** It has simple and non-categorical⁵⁴ MI schemes accompanied by more restricted eligibility conditions.
- **Group 3 (ES, FR,⁵⁵ IE, MT, UK)** is characterised by a complex set of different and often categorical schemes that sometimes overlap but generally cover most of those with insufficient means.
- Finally, there is a small group of countries with limited, partial or piecemeal arrangements only covering narrow categories of people (BG, IT, EL).

Eligibility conditions (commonly related to age, nationality, residence, lack of financial resources and availability for work) vary significantly. In some Member States, where there are only piecemeal and categorical schemes, there are **people on very low incomes that do not have access to any form of MI scheme.**

Over the past years many Member States have **tightened eligibility conditions.**⁵⁶ Conditionality has generally been increased and **availability for work** has usually been more tightly enforced for those are fit to work. There are often sanctions if beneficiaries fail to comply with the requirement that they must be available for work. Sanctions may lead to reductions in benefits, and to the loss of the right to SA benefits in more extreme cases. There is also a trend towards a stronger link between income support through MI schemes and **activation measures** including vocational training, job search assistance, and counselling.

MI schemes are of unlimited duration in all Member States. They are granted for as long as a person is in need of support, and need is monitored by regular checks that beneficiaries do indeed fulfil eligibility conditions. National MI schemes differ as regards the duration for which benefits are available after each application, so the frequency with which a claimant has to reapply varies. For example, in FR the Revenu de solidarité active (RSA) has to be renewed after three months, in BG, SI and LV after six months, while in PT, the period is 12 months.⁵⁷

⁵³ Frazer H. and E. Marlier (2009) ‘Minimum income schemes across EU Member States. Synthesis Report’ .

⁵⁴ Access to categorical benefits is restricted based on some personal characteristics (single, with children, etc.) non-categorical benefits are benefits with no restriction based on personal characteristics. .

⁵⁵ This has improved with the introduction of the Revenu de solidarité active in 2009.

⁵⁶ A follow-up survey, conducted in autumn 2011 and spring 2012, on the implementation of the active inclusion strategies at national level (based on pre-filled questionnaires complemented by MS information) found that more countries have implemented stricter eligibility criteria for minimum income (CZ, FR HU, PT, RO, UK) compared to those that relaxed eligibility (MT, LT) in the examined period (2008-2012).

⁵⁷ MISSOC database for 2011.

Considering overall income support, it should be noted that in some Member States, MI claimants also receive **additional assistance for specific needs**, such as housing benefits, contributions to fuel costs and means-tested child benefits. Though not formally classified as ‘guaranteed MI benefits’ these do contribute to the level of income that is actually guaranteed to people supported by MI schemes.

4.1.2. *The non-take up of benefits: estimated extent, causes and policy-relevant consequences*

Coverage of MI schemes is defined on the basis of eligibility criteria. The take-up of benefits refers to the share of those entitled to benefits that *actually receive them*. **Coverage and take-up rates do not necessarily match**,⁵⁸ and the available evidence⁵⁹ shows that the gap between the two is significant, sometimes very large.

Hernanz et al. (2004) report estimates of take-up for social assistance and housing benefits ranging between 40 % and 80 %. A more recently completed EUROMOD project (AIM-AP)⁶⁰ has provided additional evidence for some EU countries and different types of benefit. It reports ranges between 33 % and 88 %.⁶¹

The UK is the only EU Member State which has published official estimates of take-up rates for various benefits, including Income Support, since 1997, but its last estimates refer to 2007-08. Evidence from an evaluation of the French RSA scheme highlights that many beneficiaries do not receive the support and activation to which they are entitled, with a non-take up rate of 35 % for basic benefits (RSA socle) and up to 68 % for the in-work RSA supplement (RSA activité).⁶²

Overall, take-up seems to have declined, at least for some of the EU countries for which data are available. **Some groups may be more likely not to take up benefits than others.**⁶³

⁵⁸ In an ideal scenario where all people entitled to benefits actually receive them, coverage and take-up rates would be identical. In practice ‘frictions’ of different nature generate incomplete take-up, so that take-up rates end up being smaller than coverage rates.

⁵⁹ Evidence on take-up is currently very fragmented and limited in terms of country coverage. It is often out of date, and refers to different schemes for different countries.

⁶⁰ The Accurate Income Measurement for the Assessment of Public Policies was a project (started in 2006 and finished in 2009) funded by the European Commission under the Sixth Research Framework Programme. AIM-AP aimed at improving the comparability, scope and applicability of tools, methods and data for the measurement of income and the analysis of the effects of policies on inequality, poverty and social inclusion. It involved 11 universities and research institutes in various EU countries (<http://www.iser.essex.ac.uk/research/euromod/research-and-policy-analysis-using-euromod/aim-ap>). .

⁶¹ Source: Matsaganis M., A. Paulus and H. Sutherland (2008) ‘The take up of social benefits’ SSO Research Note 6(2008).

⁶² Commission Staff Working Document, Assessment of the 2012 national reform programme and stability programme for France, SWD(2012) 313 final, Comité National d’Evaluation Rapport Final, December 2011.

⁶³ EU Network of Independent Experts (Frazer and Marlier, 2009) For instance, in Belgium non-take up is estimated to be greater for women, couples, individuals with educational attainment below the second stage of secondary studies and the 16-24 age cohort. In the UK, people that do not take up Income Support tend to be slightly older than those that take it up (with a larger share of people aged 50-59) and more likely to be owner-occupiers in terms of tenure type, to have other incomes, to share their household with other benefit units and to live in a household below 60% of median income

The **reasons for this vary** widely. Information costs, administrative costs, disincentives (due to low benefit levels and short duration), social and psychological costs, errors in evaluation procedures and discretionary assessment may be among the explanations.⁶⁴

In any case, the evidence clearly shows that a considerable number of people do not take up benefits. The reasons for this require **research efforts and attention from policy-makers, because:**

- **low take-up distorts the intended effects of social benefits** and reduces the chances of programmes achieving their objectives. Non-take-up lowers the capacity of SA to reduce the at-risk-of-poverty rate and widens the poverty gap.⁶⁵
- if a benefit is not claimed because of reasons such as lack of information, this creates **disparities in the way potential claimants are treated** in a welfare programme supposed to treat them equally.⁶⁶

4.1.3. Minimum income schemes: the issue of adequacy

In most Member States, for most types of household, **minimum income benefits alone are not enough to lift people out of being at risk of poverty**. Chart 6 shows the level of net social assistance as a percentage of the median household income in the EU countries. There are wide differences across Member States: on the one hand, DK, IE, and the NL have social assistance support (including housing) above 70% of the median household income, while on the other, RO, PT, and BG all have social assistance support below 30% of that level.

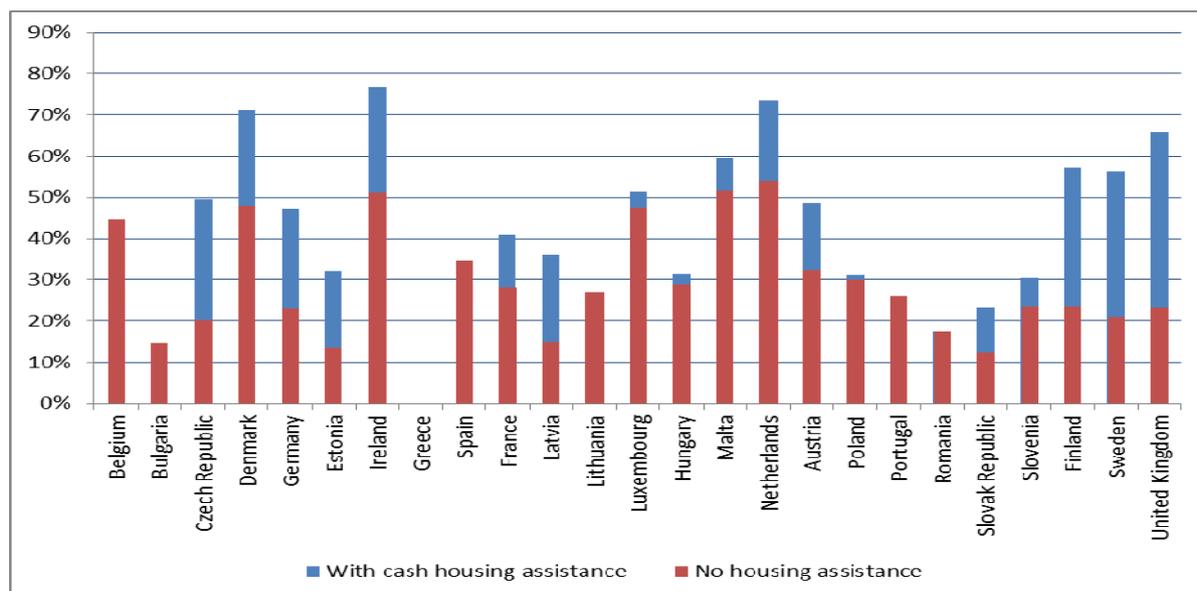
before housing costs (DWP, 2009). Some of the EU Network experts, the Austrian for instance, underline the fact that non-take up can vary significantly by region within a country (Frazer and Marlier, 2009).

⁶⁴ Hernanz V., F. Malherbet and M. Pellizzari (2004) 'Take-up of welfare benefits in OECD countries: a review of the evidence' OECD Social, Employment and Migration Working Papers DELSA/ELSA/WD/SEM(2004)2.

⁶⁵ Matsaganis et al. (2008) .

⁶⁶ (Hernanz et al., 2004).

Chart 7. The level of net social assistance as a percentage of median household equivalised income in EU-27,⁶⁷ Single household, 2010



Source: Eurostat, OECD.

Mechanisms for raising MI benefits over time are important to ensure they are adequate. There has been **a tendency towards benefits failing to keep pace with general living standards**, and to lose ground relative to wage increases over time.⁶⁸ This is often linked to the **lack of clear systems and procedures for regular reviewing of the level of MI.**⁶⁹

Measuring ‘adequacy’ is problematic. Setting the monetary poverty threshold at 60% of median income does not reflect variations in consumption patterns and the cost of living across a given country. As an alternative, the **reference budget** (standard) method defines poverty thresholds with **reference to a basket of goods and services that are considered necessary to reach an acceptable standard of living within a given country or region.** Once agreed, the basket is valued using detailed price data.

Table 2 illustrates reference budget methods in the UK, NL, IE and BE (Flanders), reflecting the sums needed to cover basic necessities, defined as food, clothing, fuel and rent. The methods also estimate an amount for other goods and services considered necessary to lead a decent life (e.g. transport, communication, health care, personal care, education, etc.). In three methods (UK, BE, IE), the total is an amount close to or above 60% of median income threshold. In NL, the method produces a much more parsimonious basket. This shows that **efforts to define the set of goods and services that are absolutely necessary to escape poverty**, even following strict methodological

⁶⁷ Italy and Cyprus excluded (no data available).

⁶⁸ This reflects the more general downward trend for social assistance benefits standardised for wage increases between 1990 and 2005, Nelson K. (2009) ‘Social assistance and minimum income protection in the EU: vulnerability, adequacy, and convergence’ Luxembourg Income Study Working Paper No 511.

⁶⁹ See Frazer and Marlier, 2009, and the country reports produced by the EU Network of independent experts for the country-specific institutional details on this.

guidelines, will always involve significant normative assumptions leading to substantial differences in the amounts estimated.

Table 2: Reference budget examples for a single person of working age

	UK Minimum Income Standard 2008	Netherlands NIBUD budget 2008	Ireland Vincentian 2006	Flanders CSB 2008
€ppp per year 2007 prices				
Food	2.499	1.761	2.949	1.604
Clothing	473	522	723	414
Fuel	558	881	327	1.107
Rent	3.240	3.403	2.921	4.169
Total necessities	6.770	6.566	6.921	7.294
Total budget	13.018	8.599	15.039	10.129
€ppp per year 2008				
Relative threshold	11.126	11.485	10.901	10.046 (Belgium)

Source: 'The measurement of extreme poverty' — European Commission (2011) and EU-SILC (ilc_li01)

4.2. Inclusive labour market measures

By inviting Member States to put in place more inclusive labour markets, the Recommendation called on them to support access and return to employment through active labour market policies. These policies include lifelong learning, personalised support and guidance that meet the needs of those furthest from employment, while ensuring quality jobs, promoting job retention and enabling advancement. Providing such support has become increasingly challenging as jobs losses have disproportionately affected jobs offering middle income and lower middle income.

Most Member States have moved towards active welfare policies in which income support is granted, on condition that the recipient is actively involved in looking for work. Yet active labour market measures (such as profiling, job counselling, educational training and re-qualification) still account for only a small proportion of expenditure on the labour market across the EU, especially in eastern Member States. And while many Member States have taken steps to tackle financial disincentives to work (for instance, through back-to-work benefits and disregarding a portion of earnings when setting tax liability), in-work poverty remains a major concern, standing at a rate of 9.4%. Social enterprises and the social economy in general have already proven their capacity to provide innovative responses to the current economic and social challenges by developing sustainable, largely non-exportable jobs, social inclusion, and improvement of local social services.

Assessment of the second pillar of active inclusion (inclusive labour markets) is based on a series of indicators reflecting the **labour market friendliness of tax and benefits systems, the level of labour market segmentation, the level of participation in activation measures, and the design and level of expenditures on ALMPs** (see Annex, Table 2). These indicators also reflect various aspects of the phenomenon of **in-work poverty**.

Minimum wages often act as a ceiling for minimum income support. As such, a comparison of minimum wages to the poverty threshold (60% of the national median household income) gives an idea on the adequacy of minimum wages. The data show wide variations. In the UK, NL and IE, the minimum wage is significantly above the

poverty threshold. On the other hand, in EE, SI, HU, and SK, minimum wages are significantly below it. Very low minimum wages also effectively risk creating **inactivity traps**.

Support for activation is stronger in groups A (CZ, FR, NL, AT, SE, and CY), B (i.e. BE,⁷⁰ DK, DE, FI), and C (IE), than in D (BG, IT, HU, MT, PL, and RO), and E (i.e. the Baltic States, EL, and SK). It appears therefore that countries that, overall, have better performing social protection systems also have more comprehensive ALMPs. **Transition out of poverty** is also higher for northern and western European countries and lower in the east and south.

Back-to-work benefits and **earnings disregards** make taking a job more viable. Inadequate coordination of the tax and benefits system may lead to a **low-wage trap**⁷¹ that can create disincentives when a worker is trying to increase productivity. This phenomenon is more severe in group B (BE DK DE FI and the UK) for single-wage households and in group D (IT, HU, MT, and PL) for second-income earners.

4.2.1. *The working poor in the EU*⁷²

In-work poverty refers to a situation in which having a job does not enable a person and his/her family to escape poverty. Though employment is seen as the best way of doing so, there are those who are working and are still at risk of poverty. Access to employment is not enough to improve their situation.

The main factors behind in-work poverty can be grouped under four categories:

- 1) family/household composition, low work intensity and low wage;
- 2) individual/personal characteristics;
- 3) institutional factors (i.e. duration and type of contract, minimum wage, tax and social protection);
- 4) structure of economy/labour market.

Low work intensity⁷³ and **low wages** contribute most to in-work poverty.⁷⁴ In general, countries with high at-risk-of-poverty rates have high in-work poverty rates and vice-

⁷⁰ While BE has high spending and participation on ALMPs, due to improper design, the activation system seems to be ineffective.

⁷¹ The **low-wage trap** is defined as the rate at which taxes are increased and benefits withdrawn as earnings rise due to an increase in work productivity. This kind of trap is most likely to occur at relatively low wage levels due to the fact that the withdrawal of social transfers (mainly social assistance, in-work benefits and housing benefits), which are usually available only to persons with a low income, adds to the marginal rate of income taxes and social security contributions.

⁷² Based on European Commission *Employment and Social Developments in Europe 2011(ESDE 2011) and 2012 (ESDE 2012)* and on European Commission Staff Working Document - *Evidence on Demographic and Social Trends*, SWD(2013) 38.

⁷³ People living in households with very low work intensity are defined as people of all ages (0-59 years) living in households where the adults (those aged 18-59, but excluding students aged 18-24) worked less than 20% of their total combined work-time potential during the previous 12 months (EU SILC definition).

⁷⁴ ESDE 2011. Pg. 153.

versa. In-work poverty rates tend to be highest for **single parents with dependent children**. Rates are much higher for those on **temporary contracts** or **working part-time**. The tax rate for low-wage workers has increased in recent years, though with wide variations across Member States. **Lack of access to services**, such as childcare, which forces women to opt for part-time work, can also cause in-work poverty.

The more members of a household there are in work, the lower the risk of poverty. Thus, the one-breadwinner family household, in which work intensity is low to medium, is not protected from the risk of poverty. In fact, across the EU, the risk for such households is between 15% and 50%. For almost half the adult population and most households in the EU, work intensity is high to very high (80%-100%). Next come households with medium work intensity (40%-60%) covering nearly 20% of all adults. This is the type of household involving 25% of adults in southern Member States (ES, IT, MT, ES), where female participation in the labour market is low. By contrast, in DK only 10% of adults live in medium work intensity households.

Single parents and children are particularly exposed to in-work poverty. If there are children in a household, this directly affects the risk of poverty, as total income has to be shared among more people. However, in most Member States, very high work intensity can reduce the risk of poverty affecting children. This is not the case for BG, EE, LT, PL, PT and ES. This may be due to low levels of child benefit and wages. In DE, however, the risk of poverty for families with children is similar to that of the same type of household in DK, despite lower work intensity (usually medium). This highlights the need for good family support at different levels of work intensity. As in DE, most families in ES and IT are medium work intensity households. In ES and IT, however, only high work intensity seems to alleviate the risk of poverty, mainly because of higher wages and largely due to lack of family support.

Low wages have an impact on in-work poverty because they affect individual and household income. There is a danger that low-wage temporary employment, especially among young people, may become a persistent feature of working life. Among the self-employed, wages have gone down considerably because of the crisis.

Women, young people, older workers, migrants and the low-skilled are more at risk of in-work poverty than other groups. Across the EU, the in-work poverty risk for men is higher than for women. This may be because women tend to be second-income earners (thereby better protected) and have actually gained employment in a medium-to-higher paid wage structure during the recession. Yet, single mothers and single women are particularly at risk of in-work poverty compared to others. There is no strong correlation between age and in-work poverty. Young people tend to be more vulnerable if they live by themselves, or if they hold a student job or 'mini job' (e.g. in DK, SE).

In-work poverty is highest for people **working less than a full year**, followed by those in **temporary contracts** or in **part-time employment**. Apart from IE, MT and UK, all Member States have in-work poverty rates for those on temporary contracts that are almost double those seen in permanent employment. Only in IE, MT, UK and DK does in-work poverty prevail in permanent employment. Young people, migrants and those in low-skilled labour are most likely to be on temporary contracts. For instance, in Poland, those on temporary contracts account for up to 26.8% of total employment, working in jobs with a wage penalty of 27.8% relative to permanent contracts. These factors tend to trap people in poorly-paid jobs and hamper upward mobility. In Spain, the in-work

poverty rate for temporary workers is four times higher than for permanent workers.⁷⁵ Those on temporary contracts would usually prefer to be on permanent contracts, so the temporary aspect is involuntary, except in DK and AT. Involuntary part-time work is a growing issue in many countries, such as DE, where wider use of non-standard contracts has increased flexibility on the labour market, but also led to further inequalities among workers.⁷⁶

4.2.2. *Active Labour Market Policies (ALMPs) for the people furthest from the labour market*⁷⁷

Shared characteristics of ALMPs in Member States are profiling, job counselling, educational training and (re-)qualification.⁷⁸ Subsidised employment, public work programmes, short-term paid employment, traineeships and voluntary work are among ways of reintegrating people into work. While all Member States have policies for the unemployed and job seekers generally, the degree to which these target those who are furthest from the labour market (e.g. social assistance recipients) varies substantially. However, some Member States (BE, DE, AT, FI, LU, PL, SI) specifically target these recipients by means of separate programmes.

ALMPs⁷⁹ account for only a small share of Member States' GDP in the EU-27 (0.85 % of the GDP on average), and these policies are mostly financed through unemployment insurance funds. DK, BE, NL, and SE had the highest share of ALMP spending in 2010. Sometimes ALMPs go hand in hand with passive labour market policies,⁸⁰ as in DK, providing an effective tool for both protection and activation, though passive policies have much a more prominent role in ES and BE. Most eastern European countries spend little (see the chart below) on labour market policies, whether active or passive. There has been no significant rise in funding for ALMPs in recent years.

⁷⁵ Commission Staff Working Document, Assessment of the 2012 national reform programme and convergence programme for Poland and Spain, SWD(2012) 323 final, SWD(2012) 310 final.

⁷⁶ Commission Staff Working Document, Assessment of the 2012 national reform programme and stability programme for Germany, SWD(2012) 305 final.

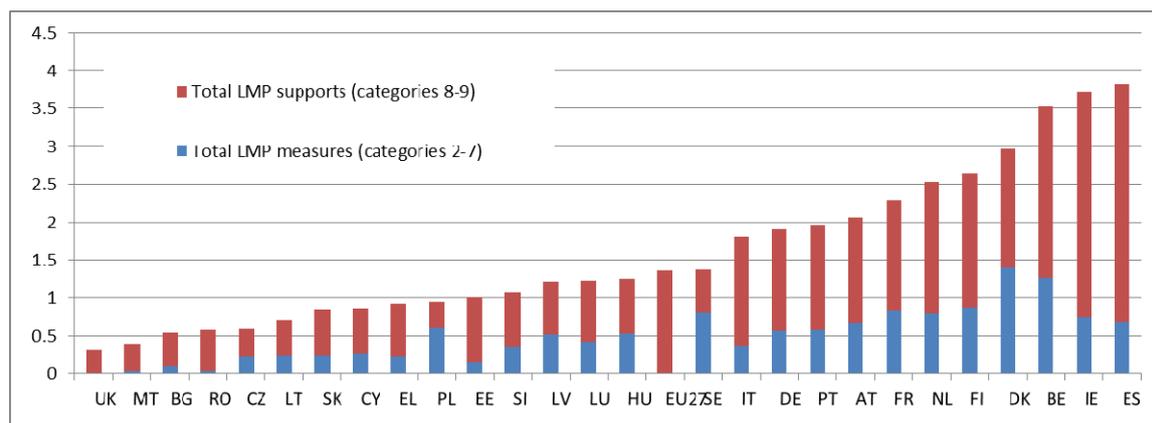
⁷⁷ Unless indicated otherwise, based on the Active Inclusion Country Surveys 2008-2011. .

⁷⁸ For a classification by type of action see Eurostat (2010). Labour market policy — expenditure and participants.

⁷⁹ In EU ALMPs include labour market services, training, job rotation and sharing, employment incentives, supported employment and rehabilitation, direct job creation, and start-up incentives.

⁸⁰ Passive labour market policies include various unemployment benefits and early retirement.

Chart 8: Active and passive labour market policies expenditure in percentage of GDP, 2009



Source: Eurostat LMP database, 2010

Among the unemployed and recipients of social assistance and activation policies, Member States identify different sub-targets for ALPMs, among which **young and older workers, low-skilled and long-term unemployed, migrants and people with disabilities**. For example, IE targets older workers, while the UK targets young people within the Jobseeker's Allowance scheme. DK and SE have separate schemes for older workers and young unemployed people. Measures currently in place in DE, SK, SI and ES tend to focus on the long-term unemployed. Few efforts are made to provide special support to integrate migrants into the labour market, although Vienna is a notable exception.

An overwhelming majority of Member States⁸¹ **link the right to income support to the willingness to work and a minimum commitment to seeking a job, vocational or occupational training**. In SK, proving one's willingness to work and to accept a suitable job is only compulsory when applying for the highest level of income support benefit.⁸²

The conditions under which job seekers have to accept a job offer varies across Member States. In CZ and DE, job seekers are required to accept *any* job, even if it is short-term, or a mismatch with their skills. In LV, EE, SK, MT and NL, job seekers are obliged to accept *suitable* work only (subject to the relevant authority's assessment).

If a job seeker is unable to find work, most Member States offer **vocational or occupational training**. Some also provide various counselling services which can cover advice to manage debt or addiction or psychological support (DE) during drug or alcohol rehabilitation (MT). In SI, job seekers may have to sign a contract with the Social Work Centre to take part in social and/or health programmes (SI). In other countries such as LU, an 'integration allowance' is available only if job seekers take part in an 'integration activity'.

If occupational or vocational training is not successful, some public administrations provide **(mandatory) measures to ensure activation** (NO, RO, BG, NL, LV, HU). This may mean compulsory involvement in public works (e.g. providing social services, cleaning). This dimension should in many cases be complemented by improving job

⁸¹ MISSOC Analysis (2011). *Guaranteed Minimum Resources*, MISSOC Secretariat for the European Commission, Contract nr. VC/2010/1131 .Pg 17.

⁸² MISSOC Analysis (2011).

seekers' prospects of finding work, to avoid locking them into such schemes (LV, HU).⁸³ In NL, a young person who is not in employment or education (NEET) has the right to request a job or an offer of a place in education from the local municipality.⁸⁴

'Reluctant behaviours or attitudes' such as refusing a job offer or refusing to take part in ALMPs are generally penalised by sanctions. These vary, and include withdrawal of benefits and grants (e.g. in EE, SI, LT, CZ, EE), withdrawal of benefits (e.g. BG, CY, HU), suspension of benefits (e.g. LT, DK) or lowering the level of benefits (LV, IE).

Box 1: Recent activation measures in Ireland

The main types of measures introduced are:

- active case management and profiling services for recipients of benefits of working age (Department of Social Protection);
- reform and consolidation of job-placement services and related provisions for the unemployed in the Department of Social Protection and effective separation between job placement and training provision (the latter has been moved to the Department of Education and Skills);
- scaling up, targeting and further diversifying the training and work experience available. Community Employment is a new scheme that offers places as part of the response to the crisis, and a new job creation programme, the Community Work Placement Initiative (Tús), has been rolled out, both noteworthy developments.

'FAS' employment services and the Community Welfare Service have been integrated into the Department of Social Protection in a restructuring of the way different departments operate, focused solely on labour market activation.

*(Source: Irish expert's report)*⁸⁵

As a response to the economic crisis, most governments recognise the need to step up efforts to develop measures tailored to specific vulnerable groups, notably the young, older unemployed people, and women. The main priorities for ALMPs in NRPs are expanding educational measures (including on-the-job and vocational training) to reduce skills mismatches, expanding and improving job (search) counselling for the unemployed to improve the matching process, and tax reforms that benefit low-wage earners to support labour market participation even during high unemployment, as implemented recently by e.g. AT and LU.

⁸³ Commission Staff Working Documents, Assessment of the 2012 national reform programme and convergence programme for Hungary and Latvia, SWD(2012) 317 final, SWD(2012) 320 final. .

⁸⁴ The recently adopted Youth Employment Package aims to tackle the phenomenon of NEET at Member State level. For more information see: COM(2012) 727 final.

⁸⁵ In Frazer, H. and Marlier, E. (2012). Assessment of the implementation of the European Commission recommendation on active inclusion, Synthesis report.

4.2.3. *Income support and work incentives*

For Member States, designing social benefits **without eroding incentives to take up work** is a key concern.⁸⁶ Schemes are increasingly designed to **avoid creating unemployment and inactivity traps, as well as low wage traps** for people in work and in receipt of MI benefits. Member States have, for instance, adopted measures to reduce the tax wedge (direct labour taxation plus social security contributions) on lower wages, to raise minimum wages, to offer in-work benefits, and they have reviewed the design of out-of-work benefits, including social assistance.⁸⁷

Back-to-work benefits and **earnings disregards** make participation in the labour market more viable. Several countries, CY, DE, LT, FR, PT, RO, SI, SE and IE make use of various forms of back-to-work or tax allowances, with gradual phasing out of SA payments. Similarly, earning disregards are a common practice in CY, DE, AT, BE, LU, MT, NL, SK, CZ, DK and LT. In many cases, around 30% of earnings are disregarded when calculating social benefits. In addition, special allowances, e.g. for single parents and children (MT) and compensation payments for voluntary work (NL) can top up incomes.

Specific factors in the design of MI schemes **might result in disincentives to take up work**. These include:⁸⁸

1. **high benefit withdrawal rates**⁸⁹ (also with regard to secondary benefits providing access to key services such as health care and childcare);
2. **lack of systematic mechanisms to adjust the value of earnings disregards**⁹⁰ over time so as to avoid their erosion;
3. **regulations requiring former beneficiaries to refund benefits.**

4.3. Access to quality services

The Recommendation invited Member States to enable access to quality services, essential to support people's inclusion in the labour market and more generally their resilience and participation in society, making sure such services are available across territories, physically accessible and financially affordable. Such services should

⁸⁶ The **Employment package** (COM(2012) 173 final), launched in April 2012, is a **set of policy documents** looking into how EU employment policies intersect with a number of other policy areas in support of smart, sustainable and inclusive growth. It identifies the EU's biggest job potential areas and the most effective ways for EU countries to create more jobs. Measures are proposed in the areas of supporting job creation, reforming labour markets, investing in skills, improving EU governance, etc.

⁸⁷ See also European Commission (2009) 'Recent reforms of the tax and benefit systems in the framework of flexicurity' European Economy Occasional Papers 43, Feb 2009.

⁸⁸ EU Network of Independent Experts, 2009.

⁸⁹ As a result of taking up work, benefits are reduced significantly.

⁹⁰ Earnings disregards are the part of income that is not taken into account when assessing whether eligibility conditions are met by the applicants.

emphasise solidarity, equal opportunities for users and employees, quality investment in human capital and infrastructures, while being designed and delivered in a comprehensive and coordinated manner.

This review shows that the potential to improve access to services seems to be very considerable, as few Member States report better access to housing or to childcare, and access to social assistance and health services has not improved much either.

Access to services is reviewed according to indicators reflecting **access to childcare, housing costs, adult participation in education and training, and social gradient**⁹¹ **in unmet need for health care** (see Table 3 from the Annex). Differences among Member States are most significant on two indicators: access to childcare and participation in education and training for those with a low level of education. Group A and B countries, mostly in northern and western Europe) tend to have high childcare use and high participation in education and training. Group C, D, and E (eastern and southern European countries plus Ireland) tend to have low childcare use and low participation in education and training.

A recent OECD study on publicly provided services has confirmed that better access to specific services such as **healthcare, childcare, housing and care for the elderly** can contribute significantly to reducing inequality in society and thus reduce the level of poverty across various groups.⁹² The impact of such services can be particularly relevant for

- (1) **children** and the **elderly** because of their higher use of education and health services respectively;
- (2) **single parents, and couples with children**, because of their higher use of education and childcare services; and
- (3) **households with high work intensity**.

Reduced rent tenants and people with a **lower level of skills** may also benefit, albeit less so. Regarding service delivery, there is evidence that **universal** service provision generates fewer problems related to **stigmatisation** or **discrimination** compared to traditional, **targeted** social assistance benefits.⁹³

4.3.1. Access to services in the Member States⁹⁴

Most Member States report that the poor now have better access to employment and training, but the potential of other services to lift people out of poverty remains relatively

⁹¹ Social gradient reflects the position of an individual or population group in society and the variations in their access to and security of resources such as education, employment and housing, as well as different levels of participation in civic society.

⁹² OECD-European Commission (2011): The impact of publicly provided services on the distribution of resources.

⁹³ Marx, I. (2010). Minimum income protection in post-industrial economies: on getting the balance right between incrementalism and innovation, in *Social protection for a post-industrial world*, ed. Kemp, P. A., International Studies on Social Security, vol. 15.

⁹⁴ This section is based on Country Surveys on Active Inclusion unless stated otherwise.

underexploited. Several Member States report better access to housing, but few report improvements in access to childcare. Better access to social assistance and health services ranks below the others.

Self-reported improvements in access to **employment and training opportunities** may be linked to Member States' increased use of labour market 'activation' approaches, tougher conditionality on taking up work, compulsory participation in public works programmes and growing sheltered employment.⁹⁵

According to independent EU experts on social inclusion,⁹⁶ only a small number of Member States have taken steps to improve services essential to support active social and economic inclusion policies since 2008.

Six have focused on those who can work, AT, BE, EE, DE, LU, MT, and four on those who cannot, BE, EE, LU, MT. Such services include social assistance services, employment and training services, housing support and social housing, childcare, long-term care services and health services.

Reported improvements in access refer to such services being set up for these groups in the first place, rather than specifically addressing the obstacles disadvantaged groups face when trying to access services. There has yet to be more attention to designing services to reach out, through e.g. 'peer' inclusion, developing effective mixtures of targeted and universal services, reducing adverse effects of stigmatisation or removing administrative burdens.

Table 3. Areas in which Member States have improved access to services for the most disadvantaged

a. <u>employment and training</u>	AT; BE; BG; CY; CZ; DK; EE; FI; FR; DE; EL; IE; IT; LV; LU; MT; NL; PL; PT; RO; SK; SI; ES; SE; UK
b. <u>social assistance</u>	DK; FI; LT; LU; RO
c. <u>health</u>	LV; LT; RO; SI;
d. <u>transportation</u>	BE; AT
e. <u>housing</u>	AT; BE; BG; DK; FR; LT; LU; RO; SI; ES;
f. <u>childcare</u>	AT; CY; HU; LU; MT; PL;
g. <u>banking</u>	CZ; DK;
h. other _____	EE (in-kind benefits (varies by municipality)); IE (education); IT (social card); PT (in kind benefits/ associated rights (local level in response to the crisis)); UK (school meals for children).

Source: Country Surveys on Implementation of Active Inclusion Strategies 2008-2011

⁹⁵ Sheltered employment refers to jobs that provide a certain level of supervision and guidance, usually designed for people with disabilities.

⁹⁶ Frazer, H. and Marlier, E. 2012. Assessment of the implementation of the European Commission recommendation on active inclusion.

Among countries reporting better **access to housing**, BE has set up a national framework to reimburse housing-related costs, funded by the autonomous Committee for Regulation of Electricity and Gas. Those on social benefits automatically get ‘social’ rates (equalling the lowest rate on the market), and there are ceilings on the maximum rates for gas and electricity. Beneficiaries can also claim fixed-price heating allowances (*stookoliefonds*).

In AT, the new means-tested social assistance scheme (*BMS*) also assesses housing needs and costs. Previously, there was a separate procedure to request a housing allowance. Since 2009, RO has a lower eligibility threshold for heating allowances, which benefits low-income households. For households on social assistance, heating and gas expenses are fully covered by the state. In its NRP, BG allocates funds to expand modern social housing for the most vulnerable. Housing allowances are provided on a very discretionary basis and access depends on the municipality. In 2009, there was a shift from means-tested in-kind heating allowances (e.g. coal blocks) to in-cash heating allowances paid directly to electricity providers.

Six Member States (AT, CY, HU, LU, MT and PL) report better **access to childcare services** for the poor. In 2009, AT introduced compulsory pre-school education (on a half-day basis) at federal level. In 2011, the government decided to create an additional 5000 early childhood education and care institutions between 2012 and 2014. In Vienna, childcare for children up to the age of six is free of charge. Since 2009, LU has run a ‘cheque service’ (child-care service voucher) system, reducing childcare costs, especially for low-income families and SA recipients.

MT, PL and HU report commitments to increasing the number of childcare and toddler institutions (‘Maluch’ Programme in PL). Using the ESF, CY planned a 2011 reform of its care system, providing partial reimbursements of costs associated with care for children, the disabled and older people. However, the reform is intended primarily to further women’s participation in the labour market, rather than to improve the situation of the poor in general.

In a number of countries (PT, SK, SI, UK, LT) not reporting better access to childcare services, there are nevertheless more in-kind services, such as subsidised transportation, school supplies and free school meals for children of SA recipients.

Box 2. Client input into service delivery: Belgium — Expert by Experience

- Involvement of 26 ‘Experts by Experience’ who are experiencing or have experienced poverty, spread over 22 administrations, to improve access to social services for all citizens (including the poor and those most detached from the labour market)
- Problem: legislation and practices are designed by and for middle class — > use of ‘Experts by Experience’ aims to improve accessibility and to make known the views of users, so as to improve tailored services
- Support to experts: training and mentoring system
- Challenges: dissemination of information about the role of EbyE, define/build up profile of EbyE, make sure there is effective communication with colleagues about EbyE, improve support systems for coaches and mentors

Source: SPC Multilateral surveillance on active inclusion, MS presentation,

As for **healthcare services**, a number of countries provide full cover for SA recipients (CY, LU, MT, LV, CZ, UK, SI, ES). BE did not report improvements, but grants SA recipients the automatic right to substantial reimbursements of medical costs and a guarantee that health expenses do not exceed a certain threshold. In BG, PL and PT, the coverage of SA recipients' health expenses is heavily discretionary and depends on the municipality.

With regard to **social assistance services**, some governments provide a wide range of services at national level. These comprise psycho-social, alcohol and drug counselling and family assistance (e.g. DE, SE). In the UK, counselling services are delivered by voluntary organisations (Citizens Advice Bureaux). In EE and IT, the availability of such services depends on the municipality. Since reforms in 2008, FI has a thorough social assistance service, linking assessments of the individual's capacity to work with job-seeking assistance and the setting up of employment plans with rehabilitation. The delivery of cash and in-kind social assistance is spread across agencies, social workers and other professionals.

Banking and transport services were reported by a few Member States. CZ has introduced financial literacy courses at secondary school level and is planning versions for primary schools, and may be one of the most innovative service providers. Analysis of country surveys shows that banking services (debt, mortgage, counselling and legal assistance) are not confined to reporting countries (CZ and DK), but can also be found in DE, HU, NL, UK, SI, EE, IT, LV. The same applies to free public transport. AT grants free access to public transport to SA recipients, as do CY and LU, as well as FR, at least partially. Subsidised public transport is available to SA recipients in BG and PT.

The EU social inclusion experts⁹⁷ provide examples of measures that improve the inclusiveness of **education and training** opportunities. BE is reforming tertiary and secondary education systems to widen access and is improving transitions from education to work through better career guidance and partnerships with enterprises. DK is developing effective lifelong learning strategies and increasing the number of young unemployed people being trained through apprenticeship schemes. It is developing jobs and skills development packages for young people who are academically weak. In the Estonian NRP, a lot of attention is paid to preventing and reducing youth unemployment by providing high-quality education, reducing school drop-out rates and preparing young people more effectively for working life.

In a number of Member States, **food aid** is available in various forms. In EE and IT, 'social cards' make people on low incomes eligible for food aid. In PL and PT, food aid was introduced as an immediate response to the social consequences of the crisis. RO has increased the number of social canteens in urban areas. They provide two hot meals a day for SA recipients and families on low incomes. In SI, NGOs provide free packages of food, vaccination and clothing. In the UK, those on income support or jobseeker allowance can apply for 'healthy start vouchers' to be spent on milk, fresh fruit and vegetables or infant formula.

⁹⁷ Frazer, H. and Marlier, E. 2012. Assessment of the implementation of the European Commission recommendation on active inclusion.

Especially non-EU migrants face difficulties when accessing certain enabling services. In particular, migrants face obstacles when it comes to access to **education** (especially higher education), **employment services** (including information on job vacancies), **financial services**, and **family and child benefits**. These obstacles are often due to problems related to the **transferability of the rights** to access social assistance, unemployment benefits or other related services, the appropriate recognition of qualifications and the **long contribution periods** required to use some of these benefits (unemployment benefits, social assistance).⁹⁸

4.3.1.1. Focus on childcare

The availability and affordability of childcare has a crucial influence on parents' access to the labour market. This holds true particularly for second earners and single parents on low incomes. The availability, quality and affordability of childcare remain an issue in many countries, as highlighted in nine of the country-specific recommendations the European Council adopted in July 2010 (CZ, DE, IT, SK, UK, MT, PL, AT, and HU). The challenge is even greater for households on a low income.

Persisting low access to childcare for households on low income

The latest information from EU-SILC shows that most Member States are lagging behind EU targets for childcare set in 2002, the so-called Barcelona targets. In 2010, there was provision for 28% of children below the age of three and 83% of children between the ages of three and six. Access appears to be most difficult for households with low incomes. Those on low incomes make far less use of childcare. This is also the case in countries close to achieving the target, with a few exceptions, such as Denmark or Sweden.⁹⁹ This gradient shows the additional obstacles that households on low incomes face when they seek childcare, which include:

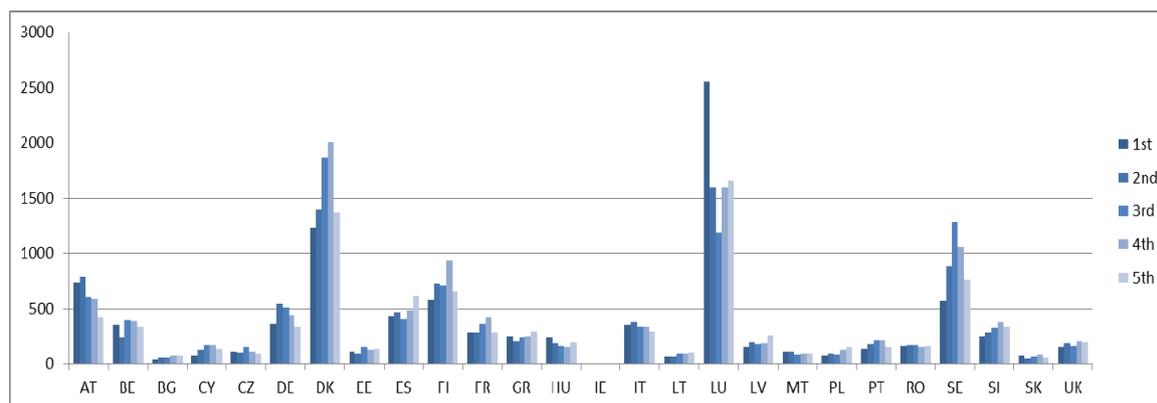
- employment status — the more hours one or both parents work, the greater their need for childcare;
- eligibility criteria — e.g. places may be reserved for parents that are employed;
- lack of services, particularly in disadvantaged or rural areas;
- lack of affordable services.

Affordability remains a major challenge

⁹⁸ Institute for the Study of Labour and the Economic and Social Research Institute (2011). *Study on active inclusion of migrants*,

⁹⁹ The unequal benefits of activation: an analysis of the social distribution of family policy among families with young children, Joris Ghysels and Wim Van Lancker, 2011 *Journal of European Social Policy*.

Chart 9: Public expenditure on early child care and education by income quintile



Source: M. Vaalavuo

Despite the redistributive effects of government support, the cost of childcare is still an obstacle for families on low incomes, as it can significantly reduce disposable income. Even after deducting government support, out-of-pocket expenses for two preschool children can add up to 20% or more of a family budget.¹⁰⁰ Single parents are least able to afford childcare.

The cost of childcare can be an obstacle to parents wanting to go back to work, especially for single parents and second earners on a low income. These costs appear to create significant inactivity traps in a number of EU countries, by reducing net income gains from employment to such an extent that parents are better off caring for their children themselves¹⁰¹ at home. The pattern of such disincentives varies in different countries: high childcare costs (IE and MT), low earning prospects (in CZ, SI) or a combination of both (BG, LV).

These barriers could be addressed if government assistance to reduce the cost of childcare targeted low-income families more effectively.

5. COMPREHENSIVE POLICY DESIGN, INTEGRATED IMPLEMENTATION, VERTICAL COORDINATION, AND ACTIVE PARTICIPATION OF RELEVANT ACTORS

5.1. Integrated Approaches

The 2008 Recommendation advocated an integrated approach to active inclusion which should have yielded a one-stop-shop approach, delivering on all pillars in an integrated manner that could reduce the administrative burden on both customer and provider. An integrated, comprehensive approach should be based on:

- comprehensive policy design,
- integrated implementation,
- vertical coordination,
- participation of relevant stakeholders.

¹⁰⁰ 'Can parents afford to work? Childcare costs, tax-benefit policies and work incentives', OECD Social, Employment and Migration Working Papers, No 31, 2006, available at: <http://www.oecd.org/dataoecd/58/23/35862266.pdf>.

¹⁰¹ 'Report on childcare costs — Can parents afford to work? An update' OECD, 2011.

Assessment of the effectiveness of active inclusion strategies requires further analysis based on adequate, up-to-date data. Limited evidence available¹⁰² shows that Member States have not yet developed fully-fledged integrated, comprehensive strategies, though several have taken encouraging steps. This may be due to the greater fiscal and administrative burden of implementing such a strategy.

A **fully comprehensive policy** has to define the right mix of the three strands of active inclusion, taking into account their joint impact on the social and economic integration of disadvantaged people and their possible interrelationships, including synergies and trade-offs.

According to the independent experts' analyses,¹⁰³ such a strategy is only evident in about a quarter of Member States (DK, FI, FR, MT, NL, PL, SE) for those who can work and in just two Member States (NL, SI) for those who cannot. Only six Member States (BE, DK, FR, MT, SI, SE) have developed **effective systems for integrated implementation of active inclusion policies** for those who can work and only three (LU, MT, SI) for those who cannot.

The extent to which there is **effective policy coordination among local, regional, national (and EU) authorities** in the light of their particular roles, competences and priorities varies significantly across countries. Five (BE, DK, FI, LU, NL) are assessed as having such coordination arrangements for active inclusion measures both for those who can work and for those who cannot. The results of the full analysis are summarised in Table 5 in the Annex.

The assessment of the country surveys on active inclusion shows that most Member States report a fully-integrated strategy. Only six countries report a partially-integrated strategy, and IT and EL report a non-integrated approach. A closer analysis of the active inclusion policies reported¹⁰⁴ reveals what Member States understand by an integrated strategy.

Table 4. Integrated active inclusion strategy among the Member States

a.) <u>fully integrated</u> : minimum income scheme is linked to labour activation measures and access to services	AT; BE; CY; DK; FI; DE; HU; LV; LU; MT; NL; PL; PT; SK, SI; SE; UK; CZ; RO
b.) <u>partially integrated</u> : minimum income scheme linked with labour activation measures	BG; FR; IE; LT; ES; EE
e.) <u>not integrated</u>	EL; IT

¹⁰² Based on the informal consultation (carried out in April-May 2012) of civil society organisations and the Country reports on active inclusion.

¹⁰³ Frazer, H. and Marlier, E. 2012. Assessment of the implementation of the European Commission recommendation on active inclusion.

¹⁰⁴ Based on cross-analysis of Questions 15 and 16 (Describe the specific programme(s) that integrate (s) any of the three pillars by providing the starting date of the programme). It should be noticed that most Member States did not report any specific programmes under Q16.

Source: Country Surveys on Implementation of Active Inclusion Strategies between 2008-2011

For countries classifying themselves as providers of fully-integrated strategies, e.g. AT, BE, UK, an integrated strategy means minimum income recipients have an ‘automatic right’ (enshrined in law) to services and to participation in ALMPs.

However, as in the case of the UK, policies are often designed to strengthen the link between MI and ALMPs rather than linking MI-ALMPs-Services, and services are often focused mostly on childcare.

Countries report significant obstacles to a full-fledged strategy. These involve problems with implementation at local level, e.g. due to coordination problems between public employment services (PES) and social agencies; policy competences scattered across policy levels; restricted access to services due to lack of funding (e.g. in PT) and lack of political prioritisation.

Countries classifying themselves as providers of partially-integrated strategies report the following obstacles. In FR, RSA recipients registered with the public employment services do not automatically receive support in training and education; access to services depends heavily on the financial situation in a region. In BG, few employment services are specifically targeted to minimum income recipients. In LT, not all recipients of minimum income benefit from their right to a housing allowance. The situation varies substantially by municipality.

Civil society organisations report a different picture. There is consensus that fully-fledged integrated and comprehensive strategies have not yet been developed by Member States, and that there has been too much emphasis on the employment pillar. Civil society organisations refer to various reasons for the lack of fully-fledged integrated and comprehensive strategies: lack of political will, coordination problems, competences fragmented across policy levels, the economic crisis and austerity measures.

This is partly echoed by **researchers**¹⁰⁵ on poverty and social exclusion, who note that the European agenda on combating poverty and social exclusion appears to be moving towards a largely employment-focused analysis of poverty. They make a claim for greater clarity on concepts and objectives within a coherent, multidimensional model of social and economic disadvantage.

5.2. Participation of relevant actors

No involvement or very limited involvement of all relevant actors¹⁰⁶ in the development, implementation and evaluation of active inclusion strategies is reported by larger social networks (EAPN, Eurodiaconia, and Cities for Active Inclusion - EURO CITIES).

¹⁰⁵ Working Paper ‘Political Implications of the Current Debate on Poverty, Deprivation and Social Exclusion in Europe’ by Bjørn Hvinden & Rune Halvorsen (NOVA), October 2012. This theoretical paper is the first deliverable of the FP7 Research project COPE: ‘Combating Poverty in Europe: Re-organising Active Inclusion through Participatory and Integrated Modes of Multilevel Governance’ (COPE) — http://cope-research.eu/wp-content/uploads/2012/04/Paper_Political_implications.pdf.

¹⁰⁶ Including those affected by poverty and social exclusion, civil society organisations, non-governmental organisations and service providers.

Whilst EAPN members can highlight no current examples of participation of stakeholders in the design and delivery of an explicit AI strategy, they highlight active participation in the National Action Plans/Social Reports under the Social OMC (2000-2010) and/or NRPs, often promoting strong proposals on Active Inclusion.. In the first NRPs of Europe 2020, whilst 13 National Networks were invited to participate in the NRP process (AT, BE, BG, DK, EE, FR, DE, IE, LU, NL, PT, ES, SE), the level of meaningful stakeholder participation was scored very low (2.38 of 10), with most scoring very low (AT, BG, CZ, DK, EE, IE, IT, MT, NL, PL, RO, SK, SE, UK), with only Belgium and Spain giving a positive rating (7 and 8). However, even in these countries, it was difficult to get proposals taken on board, and in the case of Spain, to get implementation.

Eurodiaconia confirms that its members in DE, SE, DK were not involved in the development, implementation and evaluation of the strategies, with the exception of CZ which had been consulted via EAPN.

CfAI-EUROCITIES reports that involvement of relevant actors differs between cities. At local level, cities rely largely on involving relevant stakeholders such as NGOs. However, the extent to which cities are consulted at national level is not always satisfactory. As AGE Platform Europe reports, in several (BE, FR, ML, SI) of its member countries, AGE organizations are involved in regular consultation processes on social policy and can comment on draft reports upon request.

5.3. Case studies –Recent developments at national level

*RSA (revenue de solidarite active) in France*¹⁰⁷

The Revenu de Solidarité Active (RSA) can be seen as a cornerstone of France’s current antipoverty policy, in combination with the minimum wage and employment subsidies. The declared objectives are to integrate and simplify existing benefit schemes, to combat poverty more efficiently and to foster the transition into work.

The RSA itself integrates several pre-existing schemes:

- Revenu Minimum d’Insertion (RMI — the mainstream guaranteed minimum income);
- Allocation de Parent Isolé (API — single parent benefit); and to some extent;
- Prime Pour l’Emploi (PPE — a large-scale tax credit scheme designed to encourage part-time or low-paid employment and affecting 9 million households).

The RSA encourages the take-up of work by exempting 62% of any earnings in calculating benefit. Experiments have been conducted in 34 ‘départements’; the scheme has been mainstreamed as from June 2009.

The following parameters sketch an overall picture of the scheme:

- The RSA scheme is equivalent to a negative income tax. A basic benefit of € 410 (for a single adult) or € 590 (for a couple with no children) applies to claimants who do not work; for those who work, earnings are topped up by an in-work RSA supplement in such a way that 62% of their net earnings are exempted. The implicit tax rate is set so as to make the benefit expire as the claimant’s earnings approach the poverty threshold (SMIC = approx. € 1 200 gross/ € 950

¹⁰⁷ Ides Nicaise (2011): Building the tools to fight in-work poverty, Synthesis report, France. Available at: www.peer-review-social-inclusion.eu .

net). In comparison with the pre-existing schemes, the RSA focuses more on the lowest income group and, above all, strengthens the work incentive component.

- 0.8 million households are expected to receive just the basic RSA (at zero earnings level) each trimester, while 1.8 million others would receive the RSA in-work supplement. Among the latter, 400 000 households would earn less than the basic benefit and would therefore receive both the basic and the in-work RSA. Overall, 6.9 million persons will be covered.

- As the basic RSA will just replace existing schemes, the additional cost of the RSA will be attributable entirely to the (extra) in-work benefit payments, which will amount to € 1.5 billion per year. Savings on unemployment benefits because of increased employment have not been estimated.

One of the explicit aims of the law is also to strengthen the activation pillar of social assistance. The issue of the access to RSA for citizens of other EU Member States demonstrating a real link with the French labour market is under assessment. Evaluations of the RMI system had revealed that only a minority of beneficiaries held a reintegration contract. An objective of the RSA reform is to assign a personal adviser to each household, to adopt a 'rights and duties' strategy from day one, and to transfer individuals more effectively into work or other activities.

*UK: administrative simplification and stronger work incentives through the universal credit*¹⁰⁸

To tackle administrative complexity whilst increasing incentives to work, the UK will progressively introduce from 2013 to 2017 a single Universal Credit. Most means-tested benefits and tax credits for working adults (including Income Support, income-related Jobseeker's Allowance and Employment and Support Allowance) will be replaced by a single benefit. Claimants will receive just one monthly payment, paid into a bank account in the same way as a monthly salary. Support with housing costs will also go directly to the claimant as part of their monthly payment.

The principal aim of Universal Credit is to simplify the system, making it easier for people to understand, and easier and cheaper for staff to administer. Claimants in need of various forms of support will spend less time claiming multiple benefits and can receive one single streamlined payment. People can apply through their local authorities or online, and can manage their claim through an online account. By eliminating multiple benefit applications and improving access, this system is expected to improve take-up of benefits by those who are entitled to them.

As the Universal Credit integrates both in- and out-of-work benefits, it seeks to smooth the transitions into and out of work and reduce disincentives to entering the labour market. The reform also aims to increase work incentives through a lower withdrawal rate (65%) and stricter rules on benefit loss if an individual refuses a job offer. From May 2012, lone parents will be required to actively seek work when their youngest child begins full-time education. A cap on the total amount of benefit that can be claimed could boost incentives to work and generate savings, however declining benefit levels could also translate into increased risk of poverty for claimants. High housing costs will also still mean that households in many areas will continue to face high marginal withdrawal rates up to a relatively high point in the income distribution.

Universal Credit has the potential of improving the accessibility of benefits to those entitled to them, though the success of this strategy will depend on its successful administration and proper response to the above challenges. Progress will be monitored on the national and EU level in the framework of the European Semester.

¹⁰⁸ SWD(2012) 309 final, Commission Staff Working Document, Assessment of the 2012 national reform programme and convergence programme for the United Kingdom.

*Iceland: Monitoring the Welfare System*¹⁰⁹

Early in 2009, the government set up a new body to monitor welfare developments during the crisis, aiming to provide early warning of issues of concern as well as providing guidelines to administrators, government and social organisations in the third sector.

The body is called Welfare Watch (WW — see website: <http://www.velferdarraduneyti.is/velferdarvaktin>). It is based at the Ministry of Social Affairs (later the Ministry of Welfare) and composed of representatives from government (ministries and institutes), municipalities, social organisations and unions. Various subgroups were also formed with the aim of focusing on special areas of concern. It was thus primarily a consultative body with powers to issue guidelines and have influence on detailed policy decisions.

The WW has been quite active. It has commissioned reports and assessments of various policy areas, sent out recommendations to targeted actors and reported regularly to government. The WW has focused mainly on the following:

- Welfare of children
- Problems of young individuals, aged 16-25
- Employment issues and job search
- Rationalisation measures of municipalities (esp. related to provision of welfare to the most needy — concerning the last stop in the welfare system)
- Social services of local communities
- Issues of disabled pensioners (a group traditionally subject to financial hardship and social exclusion)
- Position of the elderly
- Issues concerning immigrants

Welfare Watch has been an important and interesting innovation to emerge during the crisis, directly addressing crisis-related issues. Iceland has a tradition of allowing grassroots voices to be heard and one of WW's valuable roles has been to channel these voices into bigger awareness-raising movements, with pressure to get issues of local importance aired more generally.

BMS (Bedarfsorientierte Mindestsicherung) in Austria

The *BMS*, a nationwide means-tested minimum income scheme, replaced former Austrian social assistance programmes on 1 September 2010. Its aim is to prevent social exclusion and poverty, strengthen support for those returning to work and to harmonise to a certain degree the various social assistance programmes of the Länder. Today, the nine Länder define minimum income schemes according to the *BMS*, which may, however, be supplemented by additional regionally defined benefits. The Länder are responsible for the administration and financing of the scheme.

In 2012, the gross social assistance rate (including a basic housing subsidy of 25%) for a couple in Vienna was €1 159.88, a slight increase from 2011 when it was €1 129.42. The *BMS* functions as a social protection scheme of last resort, based on 'help for self-help'. It focuses on getting people back into employment by granting a minimum income, social services and job training. The city of Vienna's *Step2Job* project is a good example of an integrated activation approach. Designed as a case management project, *BMS* recipients receive personalised qualification measures or in-job training alongside psychological, social and indebtedness advisory services. Internships are also available, set up especially for *BMS* recipients, during which job coaching is

¹⁰⁹ Stefan Ollafson (2012). Iceland's way out of the crisis, Social protection, redistribution, stimulus, and austerity, A study of national policies. Available at: www.peer-review-social-inclusion.eu.

available. There are German language courses for *BMS* recipients with a migrant background.

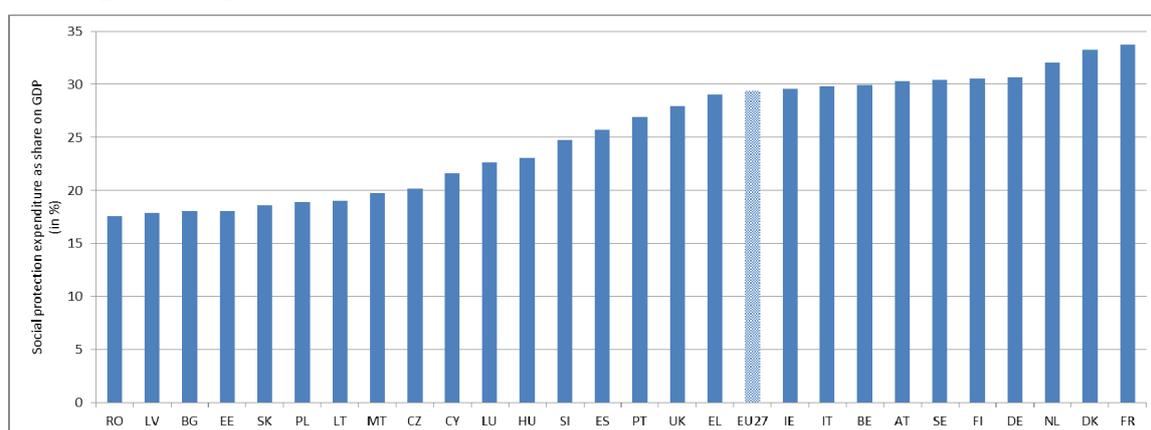
Conditionality is tight. To be eligible for the minimum income, Austrian citizenship or equal status on grounds of EU law is required, or refugee status under the Geneva Convention. There is strict means-testing and recipients are regularly checked for their willingness and ability to work. Employment and social agencies have started sharing data on recipients to make checking faster and more efficient. Recipients are obliged to accept job offers; otherwise, their benefits may be partially or — in exceptional cases — fully withdrawn. Sanctions should prevent long-term dependence on social welfare, which reduces earnings over a lifetime and affects pensions.

5.4. Budgetary effects of active inclusion strategies

There is no specific financial data on active inclusion strategies implemented at Member State level. Spending on social assistance rose in the first years of the crisis as part of a stimulus of the overall economy (including the increase in the number of social assistance recipients). From 2010, with the deepening of the sovereign debt crises and in the framework of the exit strategies from the temporary measures taken since 2008, Member States reduced spending and pursued a more stringent fiscal policy.

Spending on social protection varies across Member States (see Chart 10). It is lowest relative to GDP in Member States such as LV, RO and BG (around 17% in 2010), and highest in DK, FR and NL (above 32% in 2010). At EU level, social protection expenditure reached slightly less than 30% of GDP. All EU-15 countries except for LU spent at least 25% of their GDP on social protection in 2010 (ES slightly more than 25% of GDP, followed by PT, UK and EL). All EU-12 countries spent less than this. The highest spending was recorded in DK, FR, DE and NL.

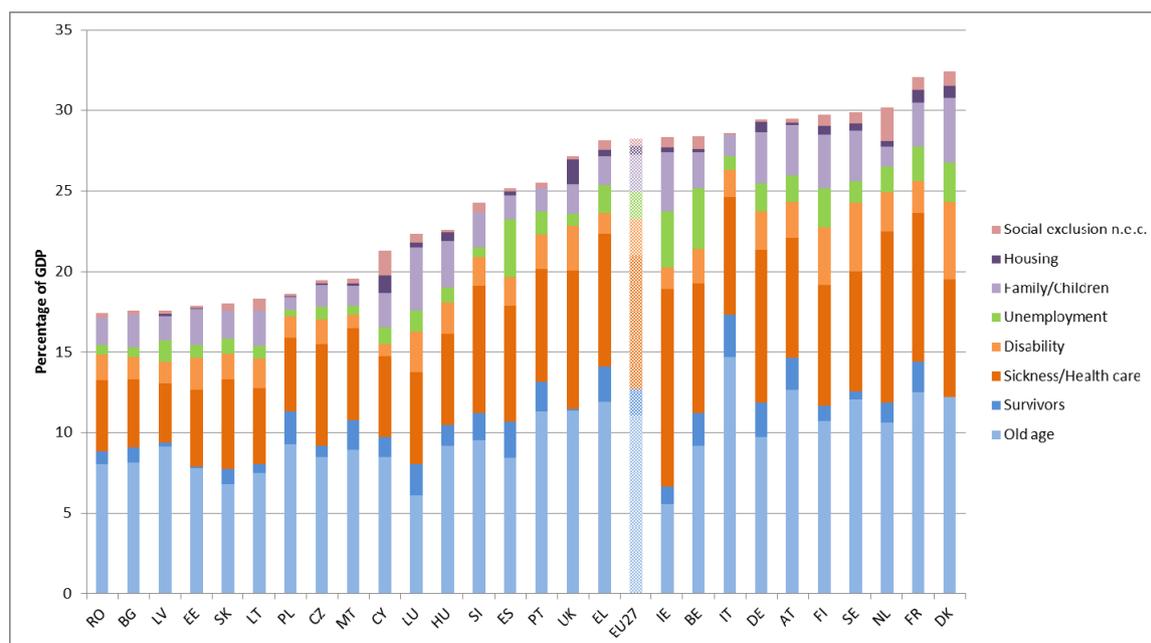
Chart 10: Social protection expenditure as share of GDP in EU Member States (2010, percentage of GDP)



Source: ESSPROS

A further examination (see Chart 11) of expenditure by function shows that most spending on social protection is not necessarily linked to active inclusion and goes namely on invalidity allowances, old age and survivors' pensions, and certain parts of sickness/healthcare benefits).

Chart 11: Social protection expenditure by function (2010, percentage of GDP)



Source: ESSPROS

Evidence on the effectiveness of active inclusion strategies requires further analysis based on adequate, up-to-date data. A recent evaluation of the French **RSA** shows a minor improvement in terms of poverty reduction: 78, 000 households have risen above the threshold of low income (due to the ‘active’ RSA), that is, 145 000 persons or 0.2% of those on low incomes.¹¹⁰ This seemingly modest impact was achieved against the backdrop of the economic crisis. An examination of the impact of the **Hartz reforms** in Germany on benefit dependency suggests there has been no significant change in ‘structural’ dependence on state support, i.e. that the prospects of recipients did not improve with the reforms.¹¹¹

The results of a recent EUROFOUND report on the active inclusion of young people with disabilities and health problems¹¹² underline that much needs to be improved to achieve an effective and tailored implementation of active inclusion strategies. It reports an increase in the take-up of disability benefits, debt as a risk factor, the negative impact of increasing work intensity for this specific group, as well as the absence of pathways from education to the labour market and social inclusion.

6. COORDINATING EUROPEAN SOCIAL POLICIES: THE ROLE OF THE EUROPEAN UNION IN PROMOTING THE ACTIVE INCLUSION STRATEGY

The European Commission has been working closely with Member States, in the context of the Social Protection Committee and its Indicators Subgroup, on identifying the most appropriate indicators for assessing the country-specific challenges and progress related

¹¹⁰ Based on the SPC multilateral thematic surveillance on active inclusion (27 February 2012).

¹¹¹ Konigs, S. (2012): *The dynamics of social assistance receipt in Germany*, OECD country study for the European Commission.

¹¹² See at <http://www.eurofound.europa.eu/areas/socialcohesion/illnessdisabilityyoung.htm>.

to the implementation of the active inclusion strategy and its evaluation in the context of the European Semester. As outlined in the analysis above, for some aspects there is a lack of up to date, harmonised and cross-country comparable data. Work is ongoing both in terms of further improving the set of indicators used to monitor the strategy and on data collection to make more data available.

According to the Commission's proposal on instruments¹¹³ for cohesion policy for the next programming period (2014-2020), the European Social Fund would step up its support for social inclusion policies, including active inclusion. In line with the Europe 2020 strategy of reducing poverty by 20 million people by 2020, it proposes that:

- at least **25 per cent** of the cohesion policy envelope be **dedicated to ESF** investments
- at least **20 per cent** of all national ESF allocations be earmarked to support **social inclusion policies**.

Accordingly, in the 2014-2020 financing period, active inclusion will be one of the investment priorities of the ESF with the objective of promoting social inclusion and combating poverty. In order to ensure that the co-financed programmes succeed in promoting active inclusion, funding will be conditional on putting in place national strategies for poverty reduction. Such strategies should aim at the active inclusion of people excluded from the labour market. More specifically, it is required that the national active inclusion strategy is in accordance with the poverty and social exclusion target of the country concerned, involves the relevant stakeholders and provides a sufficient evidence base to monitor developments.

If the fund's interventions are to be successful, they will need to be underpinned by an integrated response, addressing the different needs of the specific target groups facing labour market exclusion. In this respect, it will be necessary to put in place (i) a combination of tailor-made support measures to improve the employability of the individual, (ii) initiatives to help the individual to access different services necessary for re-integration and (iii) better functioning social and unemployment benefit systems and minimum income and pension schemes that provide adequate and incentivising support in a cost-effective manner. The actions of the European Social Fund can be complemented by the European Regional Development Fund with investment in childcare infrastructure, education infrastructure, healthcare infrastructure, long term care services and housing to provide better access to services for the most disadvantaged.¹¹⁴

¹¹³ COM(2011) 615 final: Proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006; and COM(2011) 607: Proposal for a Regulation of the European Parliament and of the Council on the European Social Fund and repealing Council Regulation (EC) No 1081/2006.

¹¹⁴ See European Commission Staff Working Document - *Social Investment through the European Social Fund*, SWD(2013)44.

6.1. On-going monitoring and evaluation through the Europe 2020 Strategy

Member States continue to state their commitment to fighting social exclusion and poverty in their 2012 National Reform Programmes (NRPs). All of them mention policy measures from the active inclusion strategy. However, these are not always identified as such. Compared to 2011,¹¹⁵ the NRPs, in general, do not reflect the integrated nature of the strategies.

FI, UK, FR, CY, DK, EE, DE, IT, LT, NL, PL, RO, SK, ES, SE, LV and CZ do not explicitly mention the concept of active inclusion in their 2012 NRPs. HU, LU, PT, AT, BE, BG, EL, IE and MT explicitly mention it. However none of the latter set gives a definition of its active inclusion strategy or elaborates on its content.

The nine countries explicitly mentioning the concept of active inclusion can be located on a continuum indicating different degrees of engagement with the strategy.

Some countries mention active inclusion, but there is no evidence of actual policy behind it. BG, for example, only lists ‘active inclusion’ in the Annex of its NRP in relation to a Country Specific Recommendation on labour market reform.

HU describes active inclusion as a policy separate from policies to improve access to services, suggesting incomplete understanding of the strategy, which has not been fully applied. Active inclusion initiatives in EL narrowly focus on providing basic services and creating ‘safety nets’.

At the other end of the continuum are countries that give specific examples of how the concept translates into concrete policy. Examples are the Flemish w² work-welfare programme to foster job seekers from vulnerable groups by strengthening coordination between policy domains (social economy, work and welfare), and public employment services (PES) plus social assistance services. AT defines active inclusion as a guiding principle for inclusion policies (there is evidence that the recent reform of the social protection system¹¹⁶ has many elements of the active inclusion strategy).

LU, on the other hand, focuses on labour market activation approaches. IE is keeping up efforts to develop the one-shop model (‘National Employment and Entitlements Service’) to cut the administrative costs of services for both client and provider.

FR and the UK are among those that do not refer to the concept of active inclusion in their NRPs, despite having reformed their social protection systems and modernised employment policies in accordance with some of the elements in the 2008 Recommendation.

In terms of the National Social Reports (NSRs) twelve Member States (out of the total of twenty one that submitted a report by late 2012)¹¹⁷ do not mention the concept of active inclusion (AT, DK, EL, FR, HU, LV, NL, PL, RO, SI, SK, UK). Nine Member States mention the concept of active inclusion explicitly in their NSRs (BE, BG, CY, CZ, ES, FI, LU, MT, PT). Countries mentioning active inclusion in their NRPs do not necessarily overlap with countries mentioning it in NSRs (namely CY, FI, CZ).

¹¹⁵ EU Network of Independent Experts on Social Inclusion. (2011). Assessment of progress towards the Europe 2020 social inclusion objectives, Synthesis Report. Available at: www.peer-review-social-inclusion.eu.

¹¹⁶ See section 5.3 of this paper.

¹¹⁷ See: <http://ec.europa.eu/social/main.jsp?catId=758&langId=en>.

Member States mentioning the concept of active inclusion differ in the kinds of active inclusion initiatives they prioritise. The Belgium NSR presents a number of active inclusion-related measures focusing on changes in the tax and child benefit system to counter in-work poverty. For 2013, it is planned to raise the tax-exempted income of low- and middle income persons by € 200. Additionally, the Brussels Capital Region has set up a plan to improve the integration of migrants ('Anti-Discrimination and Diversity Plan') and a Roma Strategy. Belgium is tackling the adequacy of social benefits through **a linking of the social benefits to the development of the general standards of living** ('well-being envelope'). Since 2008, single parent households have been granted higher child allowance and since 2010 they also have practically free healthcare.

LU's comprehensive policy includes higher investment in the quality of the pre-school system, in children and parent pre-school learning. Moreover, it focuses on targeted policies to reduce the number of young NEETs by expanding the capacity of the 'Voluntary Guidance Program' which is to be evaluated through a qualitative study this year. Additionally, information centres for minimum income recipients are planned and since 2011, more funding has been allocated to social aid and a strategy against homelessness and social exclusion has been developed.

The Spanish NSR refers explicitly to the active inclusion recommendation and states that active inclusion is the intellectual framework within which Spain's NRP objectives are defined since the 2011 NRP. The social inclusion measures are structured around the three pillars of active inclusion with a long list of initiatives, including the combination of income support with ALMPs.

FI describes active inclusion as a 'major challenge and future priority' pointing to the importance of enhancing employment and income security, well-being and health issues. However, few concrete active inclusion initiatives can be identified in its NSR.

PT, LU and CZ explicitly refer to the importance of an integrated active inclusion strategy. However, in the PT and particularly in the CZ case, where reforms of the social benefit system have not been aligned with ALMPs targeting the unemployed, there is little evidence that policies are actually interlinked.

Various active inclusion-related measures can be found in the NSRs of those Member States that do not explicitly refer to the concept of active inclusion. NL presents a wide range of original measures across the three pillars. Efforts to promote labour market participation among the most disadvantaged have concentrated on improving coordination between employers, municipalities and sheltered employment organisations, using social return investments and providing support to lone-parents by exempting them from the obligation to work until the child reaches the age of five. Since January 2012, the government has been able to check on whether municipalities comply with the new regulations entailed in the Work and Social Assistance Act (WWB). Since February 2012, municipalities have had a legal obligation to provide debt counselling. Additionally, the 2008 'Municipal Compass' programme addressing homelessness has been expanded to more municipalities. Finally, investments have been increased to enhance the quality of pre-school education through smaller pre-school groups and better-qualified personnel.

The concept of active inclusion is not mentioned in the Austrian NSR, however, the '*Bedarfsorientierte Mindestsicherung(BMS)*' seems quite close to the idea of active inclusion. Since its start, more than 29000 BMS recipients have found a job. A study about the employment careers of BMS recipients reveals also that after 9 months one out of four persons were considered as integrated into the labour market and noted a decrease from 89% to 70% of those recipients which have no income sources other than the BMS.

The French NSR announces efforts to fight in-work poverty, promote the social economy and the 'Work in Station' programme targeting the homeless, a follow up initiative to the 2009 'Hope in Station' programme.

The UK presents its new 'Work Programme' offering a more personalised job coaching system bound to tighter conditionality. Furthermore, the 'Youth Contract' will offer a voluntary work experience place for every unemployed 18-24 year old who wants one to give them real, valuable experience of work. It will also offer 160,000 Wage Incentives for employers who recruit an 18-24 year old from the Work Programme and at least 20,000 extra incentive payments for small employers to take on apprentices aged 16-24.

BG presents policy reforms targeting the employability of the unemployed through expanded training and education programs. It further refers to the 2012 approval by the Council of Ministers of a National Concept for the Social Economy. HU's objectives focus on activating the labour market and boosting the employability of the long-term unemployed through subsidies for employers and public employment programmes.

Active inclusion was a priority in the monitoring of key policies during the **European Semester** within the Europe 2020 Strategy. In June 2012, the European Council adopted Country Specific Recommendations directly relevant to the Recommendation on active inclusion for AT, CZ, DE, HU, IT, SK, UK, MT, PL.

Some CSRs called for **income support** to be made more efficient to protect against poverty (LV, BG).

Many addressed the issue of the **inclusive labour market**, by:

- combating labour market segmentation and in-work poverty (PL),
- tackling work disincentives for workers on low income, including women and the elderly (AT, BE, DE, NL),
- strengthening the activation capacity of public employment services, stepping up efforts related to long term unemployed, jobless households or disadvantaged groups (DE, HU, UK),
- boosting the activating capacity of public work schemes (HU),
- better targeting subsidised employment (DK),
- improving the labour market position of the long term unemployed (FI) and those with a migrant background (DK).

The focus of CSRs related to **services** has been on quality, availability and affordability of childcare (AT, CZ, DE, HU, IT, PL, MT, SK, UK). The UK's CSR specifically mentioned affordable housing.

Other CSRs mention **integrated approaches**, calling for links between social assistance reform and activation measures to be strengthened (LT).

6.2. Other relevant initiatives

The European Platform against Poverty and Social Exclusion has called for **social objectives to be mainstreamed into sectoral policies**. The Commission has adopted a Recommendation on rights to **basic bank account**.¹¹⁸ Furthermore, the Commission is

¹¹⁸ See: http://ec.europa.eu/governance/impact/ia_carried_out/docs/ia_2011/c_2011_4977_en.pdf.

working on a legislative package on bank accounts. This initiative, which is part of the Commission's 2013 Work programme and has also been announced in the Single Market Act II (key action 12), aims to (1) facilitate access for every consumer to payment accounts with basic features in the Union for free or at a reasonable charge, (2) enhance transparency and comparability of bank fees by developing common tools allowing consumers to compare and choose the best product for their needs, and (3) facilitate bank account switching both at national level and at cross-border level.

The new directive on **energy efficiency**¹¹⁹ also takes into account the specific needs of disadvantaged groups by giving new rights to consumers as regards access to information from metering and billing of individual energy consumption and by encouraging Member States to include socially-oriented requirements in their national schemes, to ensure that vulnerable customers can reap the benefits of higher energy efficiency.

The Commission has also proposed the creation of a Fund for European Aid to the most Deprived,¹²⁰ with a total budget of €2.5 billion (October 2012). The Fund would support Member State schemes **providing food** to the most deprived and **clothing and other essential goods** to homeless people and materially-deprived children.

Social entrepreneurship, and more broadly the social economy, is an important element of the **highly competitive social market economy**.¹²¹ Social businesses are demonstrating resilience to the crisis and the capacity to generate sustainable employment for disadvantaged people. Their promotion was one of the levers of the first Single Market Act (SMA)¹²² and remains a priority in SMA II.¹²³ The Commission's 'Social Business Initiative'¹²⁴ which followed the SMA, set out a comprehensive strategy to develop a favourable environment for social entrepreneurship including measures to improve access to finance, visibility and awareness-raising, as well as a more appropriate regulatory framework. Given that a **proactive involvement of workers** in their companies has a strong impact on their societal responsibility and productivity, the Commission will also focus its attention on the issue of **cooperatives** and **employee share-ownership**.

Several Member States contribute significantly to supporting the further development of social enterprises and the social economy in general through specific legislation (ES, FIN, PT), national strategies (BG, UK, RO) or statistics (FR, ES, PT).

¹¹⁹ Directive 2012/27/EU of the European Parliament and of the Council on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC.

¹²⁰ Proposal for a Regulation of the European Parliament and of the Council on the Fund for European Aid to the Most Deprived, COM(2012) 617 final.

¹²¹ See the section on social economy in European Commission Staff Working Document - *Social Investment through the European Social Fund*, SWD(2013) 44..

¹²² COM(2011) 206 final 'Single Market Act' See: http://ec.europa.eu/internal_market/smact/index_en.htm.

¹²³ COM(2012) 573 final 'Single Market Act II'.

¹²⁴ COM(2011) 682 final 'Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation'.

7. FOLLOW-UP

7.1.1. Follow-up at national level

- **Safeguard the integrated approach, building on all three pillars of the active inclusion strategy**, without unduly prioritising any of them. In a context of strict austerity, Member States might be tempted to focus on measures such as activation (less costly) over providing an adequate livelihood (more costly). However, the fight against poverty and providing long-term, sustainable, stable employment opportunities and growth can only be effective if all three pillars are taken into consideration. An integrated active inclusion strategy can also **prevent** people from losing their accumulated human capital.
- **Mainstream the active inclusion strategy in the monitoring and evaluation of National Reform Programmes in the area of social inclusion.** Active inclusion contains the mix of policy interventions needed to fight poverty successfully. To improve monitoring and evaluation, Member States could report on the way they have implemented the strategies in their NSRs.
- **Roll out local active inclusion pilot projects at national level.** There is evidence of successful active inclusion strategies at local level. Moreover, **social experimentation**¹²⁵ can help test policies at local level, and if successful, these can be rolled out nationally. Bottom-up implementation would be of benefit and guarantee effectiveness.
- **Focus on household characteristics as potential drivers of effective social policy.** The period since the adoption of the recommendation on active inclusion has been instrumental in identifying the major challenges facing active inclusion. Now it is time to move towards understanding the deeper causes of the problems. A better understanding of **the institutional environment** that shapes labour market and social policies for disadvantaged groups can help in designing appropriate policies. **Tailored support** for the disadvantaged through more childcare for families, especially single parents, better access to services, with due consideration for the specific needs of the low skilled, long-term unemployed, **disabled, migrants, the homeless, the elderly, and the Roma community**, can help active inclusion strategies to succeed.
- **Engage relevant actors more vigorously in the development, implementation, and assessment of policies.** Active inclusion is a joint responsibility in European societies. Efforts to engage the relevant actors need a boost. The actors include those affected by poverty and social exclusion, civil society organisations, non-governmental organisations, local administrations and the private sector. They should get involved in designing strategies that help those furthest from the labour market to get jobs, thus bringing valuable human capital to national economies.

7.1.2. Follow-up at European level

¹²⁵ The Commission has recently endorsed and decided to support projects that use social experimentation to implement innovative policies through the PROGRESS programme. See: Call for Proposals for Social Policy Experimentations (VP/2012/007).

- Provide **explicit, policy-oriented, evidence-based monitoring¹²⁶ and guidance¹²⁷ to Member States** to ensure better implementation of the active inclusion strategy at national level. The 2008 Commission recommendation has been interpreted in a variety of ways, and this has led to **piecemeal implementation of the strategy, reducing its potential to make a difference.**
- **Further develop active inclusion indicators** in the Social Protection Committee, Indicators Sub-Group. The **work on indicators for access to quality services** should be further developed. The most relevant indicators, those on **healthcare, child care, and access to quality housing** can be fine-tuned in collaboration with other policy initiatives in subfields such as the child poverty recommendation, development of a strategy on homelessness (2013 onwards), etc. Work should also focus on coverage of benefits and services.
- **Mainstream the active inclusion strategy in the monitoring and evaluation of Europe 2020 headline targets in the area of social inclusion.** Active inclusion contains the mix of policy interventions needed to fight poverty successfully. Progress towards achieving the targets can be better achieved through active inclusion. In this context, support for active inclusion in the next multiannual financial framework is essential.
- **Strengthen administrative capacity and policy coordination of the three pillars through targeted support (e.g. with ESF funds).** The report suggests that many countries face challenges when it comes to implementing integrated active inclusion strategies. These difficulties often arise from a lack of administrative capacity, or a lack of vertical and horizontal coordination of the three pillars.

¹²⁶ Social Protection Performance Monitor, Council of the European Union, 13723/12.

¹²⁷ The Commission plans to develop an analysis for each individual country that would map the policy areas most in need of help if they are to deliver effective integrated active inclusion. These analyses could be used to justify ESF support on specific aspects of administrative capacity building or to highlight the need for streamlining to provide one-stop shops. .

8. ANNEX

Table 1. 1st pillar: first level of safety nets. Main characteristics of the unemployment benefit systems

		Coverage rate in % (1)				Net replacement rates in % (2)	Max duration of UB in months (3)	Unemployment trap (2)		At-risk poverty rate - unempl. In % (4)
		3 months	4-6 months	7-12 months	Total			Single	Second earner	
	EU27	65.5	61.7	50.2	53.5	na	na	na	na	45.0
Group A	AT	88.5	85.7	62.3	71.3	63.4	12.0	0.67	0.83	41.2
	CY	na	na	na	na	na	5.0			39.7
	CZ	63.7	64.2	37.3	47.1	56.2	12.0	0.80	0.77	40.6
	FR	68.6	69.8	67.3	68.0	58.4	36.0	0.77	0.73	33.5
	NL	82.2	78.7	29.3	42.1	72.2	60.0	0.84	0.85	31.8
	SE					64.9	20.0	0.75	0.88	36.3
	SI	74.3	27.2	23.0	28.5	64.7	24.0	0.83	0.82	44.1
Group B	BE	75.0	73.1	93.7	89.0	66.2	na	0.93	0.79	30.4
	DE	89.5	86.5	84.1	84.8	61.5	18.0	0.75	0.78	70.3
	DK	u	88.3	91.8	91.4	71.4	48.0	0.89	0.94	36.3
	FI					69.4	17.0	0.72	0.93	45.3
	UK	21.0	35.0	40.8	38.6	61.1	6.0	0.50	0.52	47.4
Group C	IE	na	na	na	na	82.5	13.0	0.78	0.92	26.8
Group D	HU	68.4	65.8	55.5	59.4	37.7	9.0	0.82	0.82	44.8
	BG	31.2	26.5	15.9	18.9	42.1	12.0	0.81	0.81	48.4
	IT	75.7	66.5	25.9	33.9	9.1	10.0	0.78	0.73	43.6
	MT	32.1	60.7	39.6	41.7	56.6	5.0	0.59	0.66	40.1
	PL	36.7	31.7	18.4	23.3	46.5	12.0	0.82	0.72	45.4
	RO		60.5	22.8	29.1	28.2	12.0	0.71	0.67	45.4
Group E	EE	61.7	50.0	44.8	47.5	41.4	12.0	0.63	0.57	46.7
	EL	56.2	50.8	19.4	31.2	24.7	12.0	0.61	0.75	38.5
	ES	64.8	69.5	51.4	55.5	47.7	24.0	0.83	0.77	38.7
	LT	na	na	na	na	62.6	9.0	0.70	0.97	55.6
	LV	53.3	53.6	36.8	40.7	43.3	9.0	0.90	0.90	47.9
	PT	48.2	36.1	43.8	42.6	58.8	30.0	0.79	0.78	36.4
	SK	49.6	40.6	25.6	29.5	40.1	6.0	0.68	0.58	41.1
	LU	63.9	56.1	48.4	52.7	72.0	12.0	0.86	1.00	43.3

(1) EU-SILC Social Situation Observatory calculation for DG EMPL

(2) OECD Tax benefit Model

(3) MISSOC Database

(4) Eurostat, EU SILC

(5) Eurostat, LMP database

Table 2: 1st pillar: second level of safety nets: Main characteristics of other safety nets available to people on low income (social assistance, housing benefits, etc.)

		COVERAGE % of people receiving any benefit including unemployment benefits (1)				ADEQUACY Net income of people living on social assistance relative to the median equivalised income (incl. cash housing assistance) (2)			Financial DISINCENTIVE Inactivity trap (2)	
		3 months	4-6 months	7-12 months	Total	single person	lone parent with 2 children	Second earner	Single	One earner couple with 2 children
Group A	AT	90.7	88.2	70.6	77.4	49	50	46	0.65	0.83
	CY									
	CZ	72.9	69.2	56.0	61.2	50	45	42	0.62	0.77
	FR	77.5	81.0	84.9	83.4	41	42	36	0.61	0.68
	NL					74	64	52	0.82	0.82
	SE					56	48	43	0.70	0.88
	SI	86.8	62.0	69.6	68.7	30	53	44	0.60	0.82
Group B	BE	76.5	76.2	95.4	90.9	45	55	39	0.67	0.67
	DE	89.5	87.4	89.8	89.4	47	60	53	0.66	0.78
	DK		90.3	94.3	93.5	71	73	71	0.87	0.96
	FI					57	56	50	0.69	0.93
	UK	37.2	48.6	70.1	63.8	66	76	65	0.50	0.52
Group C	IE					77	71	70	0.79	0.92
Group D	HU	73.7	76.7	66.4	69.8	31	39	29	0.50	0.48
	BG	43.0	34.5	35.9	36.1	14	26	22	0.38	0.58
	IT	79.0	69.3	33.6	40.6				0.24	0.00
	MT	72.8	83.6	70.2	72.3	59	54	44	0.59	0.67
	PL	45.5	40.9	30.2	34.2	31	41	33	0.51	0.57
	RO	71.1	71.0	54.2	57.2	17	27	26	0.37	0.43
Group E	EE	67.8	59.0	48.6	52.9	32	34	31	0.46	0.57
	EL	58.7	60.3	42.9	49.1	0	9	2	0.06	0.04
	ES	67.1	72.3	56.5	60.0	35	33	25	0.45	0.48
	LT					27	77	56	0.44	0.92
	LV	63.0	62.9	47.9	51.3	36	50	46	0.59	0.90
	PT	49.4	38.4	54.0	50.7	26	42	43	0.36	0.71
	SK	63.0	51.3	55.6	55.1	23	33	30	0.40	0.58
	LU	81.7	63.4	73.0	71.7	51	54	51	0.70	0.86
	EU27	71.3	68.7	63.3	64.9					

(1) EU-SILC Social Situation Observatory calculation for DG EMPL; Benefits include: sickness, disability and social exclusion benefits and education allowances

(2) OECD Tax benefit Model

Table 3: 2nd pillar: Main characteristics linked to the inclusiveness of the labour market

		Net income of full time minimum wage earner	Involuntary part-time employment as percentage of the total part-time employment (1)	Transitions from temporary to permanent employment (2)	Transitions in/out of poverty (2)		Low-wage trap		Activation-Support (LMP participants per 100 persons wanting to work) 2010 ex UK (5)	Expenditure on ALMP (services and 2-7) as % of GDP (5)
					into poverty (%)	out of poverty (%)	Single	Second earner		
	EU27		26.1	25.9			0.44	0.44	:	:
Group A	CZ	91.0	18.5	37	2.8	40.5			9.9	0.2
	FR	107.5	30.8	10.6	5.6	45.6			45.1	0.8
	CY		49.4	22.1	4.3	43.0	0.32	0.53	19	0.2
	NL	131.3	7.2	20	2.3	36.2	0.33	0.33	45.4	0.8
	AT		10.1	40.5	5.3	49.9	0.23	0.34	28	0.7
	SI	77.0	8	31.8	2.8	31.1	0.30	0.38	15.9	0.3
	SE		27.5	43.9			0.30	0.13	26.9	0.8
Group B	BE	108.3	10.4	36.1	4.4	38.8	0.54919226	0.476741272	95.5	1.3
	DK		16.1		3.4	38.9	0.52	0.29	50.7	1.4
	DE		17	41			0.47	0.73	30	0.6
	FI		28.8	48.7	3.8	38.1	0.35	0.22	26.7	0.9
	UK	128.9	18.9	72.1	7.4	51.8	0.31	0.90	1.5	0
	IE	125.0	37.7		5.8	40.2	0.23	0.23	25.7	0.8
Group D	BG		57.6	36.7	7.4	36.6	0.20890136	0.208901359	4.1	0.1
	IT		54.5	25	6.2	33.6	0.42	0.95	21.4	0.4
	HU	84.5	39.4	39.2	5.3	40.9	0.27	0.93	20.3	0.5
	MT		16.1	10	8.1	32.1	0.32	1.07	6.9	0
	PL	88.8	24.8	22.4			0.52	0.85	20.1	0.6
	RO		53	61			0.35	0.11	3.2	0
Group E	EE	69.1	22	17.2	6.5	33.1	0.41	0.99	3.8	0.1
	EL	102.8	60.5	18	7.9	31.6	0.16	0.16	12.4	0.2
	ES	91.7	55.5	16.4	8.8	43.6	0.29	0.06	47.6	0.7
	LV		42.1	35.3	8.7	32.5	0.39	0.39	8.5	0.5
	LT		37.4	46.3	7.0	33.6	0.26	0.62	4.7	0.2
	PT	105.4	45.8	29.6			0.30	0.33	28.7	0.6
	SK	83.0	24.4	39.9			0.29	0.61	21.2	0.2
	LU	87.0	9.9	26	3.5	29.0	0.39	0.54	62.4	0.4

(1) Eurostat LFS Survey

(2) Eurostat EU SILC Survey DG EMPL calculation

(3) OECD Tax benefit Model

(4) OECD Tax benefit Model — Median net household incomes are before housing costs (or other forms of ‘committed’ expenditure). Results are shown on an equivalised basis and account for all relevant cash benefits (social assistance, family benefits, housing-related cash support as indicated). Income levels are net of any income taxes and social contributions and account for all cash benefit entitlements of a family with a working-age head employed full-time at the minimum wage. Annual minimum wages are reported on OECD.stat. Calculations for families with children assume two children aged 4 and 6 and neither childcare benefits nor childcare costs are considered. Poverty threshold set at 60% of the national median income.

(5) LMP database

Table 4: 3rd pillar: indicators of access to services

		Use of formal childcare more than 30 hrs/week, children less than 3 (1)	Housing cost overburden rate among AROP population(2)	Unmeet need for care (3)	Participation in education and training for low educated in % (4)
	EU27	14	40.4	4.3	11
Group A	CZ	0	44.9	1	24.8
	FR	26	25	5.9	7.1
	CY	13	11.2	7.8	3.8
	NL	6	51.3	0.8	19.4
	AT	3	31.4	2	16.3
	SI	33	25.8	0.2	15.9
	SE	33	47.4	4.1	28.2
Group B	BE	19	43	2.3	8.1
	DK	68	79.8	3.7	36.4
	DE	13		4	22
	FI	20	20.3	3.4	23.5
	UK	4	60.9	1.8	9.6
Group C	IE	8	28.5	2.3	6.9
Group D	HU	8	43.7	2.8	11.6
	BG	6	18.5	22.7	9.3
	IT	16	31.1	7.2	5.7
	MT	4	12.6	1.5	5.4
	PL	2	37.6	7.5	22.4
	RO	3	23.4	7.5	6.6
Group E	EE	19	34.1	6.3	24.5
	EL	5	72.4	5.6	2.6
	ES	18	46	0.4	7.8
	LV	15	41.4	23.7	18.4
	LT	11	38.2	1.4	28.2
	PT	32	30.7	3.7	10.1
	SK	3	37.4	2	22.6
	LU	19	27.2	1.7	18.7

(1) Source EU SILC

(2) EU SILC 18-64 population

(3) EU SILC 18-44 population

(4) Source LFS

Table 5. Individual experts' assessments of the extent to which an integrated comprehensive active inclusion strategy has been developed in their Member State (for those who can/ cannot work)

	Comprehensive policy design			Integrated implementation			Vertical policy coordination			Active participation of relevant actors		
	Yes	Some-what	No	Yes	Some-what	No	Yes	Some-what	No	Yes	Some-what	No
For those who can work	DK, FI, FR, MT, NL, PL, SE	AT, BE, BG, CY, CZ, DE, ES, HU, IE, LU, PT, RO, SI, SK, UK	EE, EL, IT, LT, LV	BE, DK, FR, MT, SI, SE	AT, BG, CY, CZ, DE, FI, HU, IE, LU, NL, PT, RO, UK	EE, EL, ES, IT, LV, LT, PL, SK	BE, DK, FI, LU, NL	AT, ES, CY, CZ, DE, IE, IT, LV, MT, PL, RO, SI, SK, SE, UK	EE, EL, FR, HU, LT, PT	BE, BG, DK, ES, FI, LU, NL, SI, SE	AT, CY, CZ, DE, FR, IT, LV, MT, PL, PT, RO, SK, UK	EE, EL, HU, IE, LT
For those who cannot work	NL, SI	AT, BG, CY, CZ, DK, ES, FI, FR, HU, LU, MT, PT, RO, SK, UK	BE, DE, EE, EL, IE, IT, LT, LV, PL, SE	LU, MT, SI	AT, BE, CY, CZ, DK, FI, FR, HU, IT, NL, PT, RO, UK	BG, DE, EE, EL, ES, LV, LT, PL, SK, SE	BE, DK, FI, LU, NL	AT, CY, CZ, ES, IT, LV, MT, RO, SE, SI, SK, UK	DE, EE, EL, FR, HU, IE, LT, PL, PT	BE, CY, DK, FI, NL, SI	AT, BG, CZ, ES, FR, IT, LU, LV, MT, PL, PT, RO, SE, SK, UK	DE, EE, EL, HU, IE, LT

Source: EU Network of Independent Experts on Social Inclusion (Frazer, H. and Marlier, E. 2012). Assessment of the implementation of the European Commission recommendation on active inclusion.



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SOCIAL INVESTMENT PACKAGE

COMMISSION STAFF WORKING DOCUMENT

Investing in Health

Accompanying the document

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Towards Social Investment for Growth and Cohesion - including implementing the European Social Fund 2014-2020

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Introduction

This document complements the Commission Communication *Towards Social Investment for Growth and Cohesion* by showing how investing in health contributes to the Europe 2020 objective of smart, sustainable and inclusive growth.¹

In line with that Communication, it advocates evaluating and modernising current social policies to optimise their effectiveness and efficiency. It also highlights the need for better targeted, individualised and integrated services and benefits. It looks at how health is incorporated into the main themes of the Communication: making efficiency gains in budgets, taking action throughout life, ensuring adequate livelihoods, activating and enabling policies, optimising social dividends and using EU funds.

It also follows on from the **2013 Annual Growth Survey (AGS)**² which recognises the contribution of the healthcare sector to prepare a job-rich recovery. The AGS also acknowledges the sector's role in promoting social inclusion and tackling poverty and recognises the positive effect modernising its public administration would have. It recommends reforming health systems to ensure their cost-effectiveness and sustainability and assessing their performance against the twin aims of providing access to high-quality healthcare and using public resources more efficiently.

This document establishes **the role of health as part of the Europe 2020 policy framework**. It strengthens the link between European health policies and support for health system reforms in the context of the European Semester. Investing in health helps the EU rise to the challenges identified in its Health Strategy³ that have been compounded by the economic crisis: an ageing population, an increase in chronic diseases, a greater demand for healthcare and the high cost of technological progress.

Health is a value in itself.⁴ It is also a precondition for economic prosperity. People's health influences economic outcomes in terms of productivity, labour supply, human capital and public spending.

Health expenditure is recognised as growth-friendly expenditure. Cost-effective and efficient health expenditure can increase the quantity and the productivity of labour by increasing healthy life

¹ Commission Communication, Europe 2020 Strategy — COM(2010) 2020, 3.3.2010.

² Commission Communication, Annual Growth Survey 2013 — COM(2012) 750 final, 28.11.2012 .

³ Commission White Paper 'Together for Health: A Strategic Approach for the EU 2008-2013' COM(2007) 630 final, 23.10.2007.

⁴ Council Conclusions on Common Values and Principles in European Union Health Systems, OJ 2006/C 146/01, 22.6.2006.

expectancy.⁵ However, the relatively large share of healthcare spending in total government expenditure, combined with the need for budgetary consolidation across the EU, requires more efficiency and cost-effectiveness to ensure the sustainability of current health system models. Evidence suggests there is considerable potential for efficiency gains in the healthcare sector.

Average levels of health have been improving across the EU for many years. But this hides **major inequalities**. Poorer and disadvantaged people die younger and suffer more often from disability and disease.

In the following sections, ‘investing in health’ is further developed.

1. **Investing in sustainable health systems** combines innovative reforms aimed at improving cost-efficiency and reconciling fiscal consolidation targets with the continued provision of sufficient levels of public services.

2. **Investing in people’s health as human capital** helps improve the health of the population in general and reinforces employability, thus making active employment policies more effective, helping to secure adequate livelihoods and contributing to growth.

3. **Investing in reducing health inequalities** contributes to social cohesion and breaks the vicious spiral of poor health contributing to, and resulting from, poverty and exclusion.

4. Investing in health through adequate support from **EU funds**.

1. Investing in sustainable health systems: Reform and Innovation

Health systems in Europe are at the core of its high level of social protection and they are a cornerstone of the European social market economy. The healthcare sector accounts for 8% of the total European workforce and for 10% of the EU’s GDP.⁶ The large share of healthcare costs in the EU raises the issue of cost-effectiveness and the financial sustainability of health systems. The problems caused by the economic crisis, coupled with more structural changes in demography and the types of diseases affecting populations in Europe, reinforce the necessity to reform and modernise those systems. The EU can help Member States do so, to improve cost-efficiency through sound innovation and contribute to a better assessment of the performance of health systems.

1.1. Sustainability of health systems

Health is an important part of public budgets. It represents almost a third of social policy budgets. Public expenditure accounts for almost 80% of healthcare budgets. In 2010, public spending on healthcare accounted for almost 15% of all government expenditure. In the decade before the crisis, it

⁵ Commission, Directorate-General for Economic and Financial Affairs (2012), The Quality of Public Expenditures in the EU, European Economy, Occasional Papers 125, December 2012

http://ec.europa.eu/economy_finance/publications/occasional_paper/2012/pdf/ocp125_en.pdf.

⁶ Its size varies widely between Member States: above 11% of GDP in Austria, Denmark, France, Germany and the Netherlands; below 7% of GDP in Estonia, Latvia and Romania.

was one of the fastest growing spending items for governments in almost all Member States,⁷ considerably outpacing GDP growth. Public expenditure on healthcare and long-term care is expected to increase by one third by 2060. This is due to a number of factors. On the demand side, it is chiefly due to population size and structure, its health status, individual and national incomes and provisions regulating access to healthcare goods and services. On the supply side, the increase is driven by the availability of and distance from health services, technological progress and the framework regulating the provision of goods and services.⁸ The relatively large share of public healthcare spending in total government expenditure, combined with the need to consolidate government budget balances across the EU, underscore the need to improve the sustainability of current health system models. Ensuring efficiency and making the provision of health services more cost-effective and efficient is crucial if countries are to **ensure universal access to and equity in health services and their adequate and sustainable financing.**⁹ It is therefore essential to address the financial sustainability of health systems to ensure they are sustainable in terms of continuity of service, universal coverage and a high level of quality.

Financial sustainability may require budgetary cuts, including cuts in healthcare budgets. Several Member States also need to curtail health costs in the short term. As part of policy responses to the economic crisis between 2007 and 2011,¹⁰ some Member States reduced their healthcare budgets: Bulgaria, Estonia, Hungary, Ireland, Italy, Greece, Latvia, Romania, Portugal and Spain. However, sudden significant reductions in healthcare budgets risk creating 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.

Evidence shows that **the relationship between healthcare expenditure and health outcomes is not linear.** If it were, any additional euro spent on healthcare would result in a corresponding improvement in the population's health status (measured, for instance, in terms of healthy life expectancy). In reality, the greater the expenditure, the lower the marginal improvement in health status as a result of its increase.¹¹ Countries also vary significantly in their ability to translate a similar level of resources into health outcomes. International comparisons show that the same amount of per

⁷ Health spending grew by nearly 5 % per year in real terms in OECD countries from 2000 to 2009, but this was followed by zero growth in 2010, as several countries started implementing budgetary cuts. In fact, health spending per capita started declining in 2009 for countries that were hardest hit by the economic crisis (OECD Health Data 2012). See http://www.oecd.org/document/39/03746,en_21571361_44315115_50655591_1_1_1_1.00.html.

⁸ Commission-EPC (2012), The 2012 Ageing Report: Economic and budgetary projections for the 27 EU Member States (2010-2060). The report projects an increase between 2010 and 2060 of 2.6 % of GDP (percentage points) for public expenditure on healthcare and long-term care, a proportional increase of around 29.2 % compared to the 2010 reference level of 7.9 % of GDP. See http://ec.europa.eu/economy_finance/publications/european_economy/2012/pdf/ee-2012-2_en.pdf.

⁹ Directorate-General for Economic and Financial Affairs (2012) The Quality of Public Expenditures in the EU, European Economy, Occasional Papers 125, December 2012 http://ec.europa.eu/economy_finance/publications/occasional_paper/2012/pdf/ocp125_en.pdf.

¹⁰ WHO (2012) Health policy responses to the financial crisis in Europe, WHO Policy Summary 5 http://www.euro.who.int/_data/assets/pdf_file/0009/170865/e96643.pdf.

¹¹ See for instance Joumard et al. 'Health Care Systems: Efficiency and Policy Settings', OECD, 2010. [http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=eco/wkp\(2010\)25&doclanguage=en](http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=eco/wkp(2010)25&doclanguage=en)

capita healthcare expenditure can be associated with very different health outcomes even after taking into account the differences in lifestyle and socio-economic realities among countries¹².

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.¹³ Health system reforms and improvements in the relative allocation of money can contain public spending and could result in large savings. The OECD has valued these savings at 2 % of GDP on average by 2017 for OECD countries.¹⁴

At EU level, the Council has recognised the need to tackle these economic and budgetary difficulties by reforming health systems, while balancing the need to provide universal healthcare¹⁵ and take account of their implications in all relevant fields of EU economic policy coordination.¹⁶

1.2. Helping Member States design reforms and improving the efficiency of health systems

Comparative international analysis shows that there is significant room for efficiency gains in health systems.¹⁷ The Council has confirmed this, noting that in many Member States there appears to be scope to improve the population's health status without increasing health spending.¹⁸ Member States should try to reap those gains by introducing efficiency-enhancing measures as part of the overall prioritisation and evaluation of public expenditure and in the context of the European Semester. This would help reconcile financial consolidation targets with the continued provision of sufficient levels of public services.

The Commission and the Economic Policy Committee identified a number of areas where structural reforms and efficiency gains could improve the sustainability of health systems:¹⁹

¹² See for instance Joumard I., Andre, C. and C, Nicq, 'Health care systems - efficiency and institutions', OECD, 2010, Working Paper No. 769. <http://www.oecd.org/eco/economicdepartmentworkingpapers.htm>

¹³ Better implementation of policies could also result in large savings, as fraud and avoidable errors are estimated to represent an annual loss of 5.6 % for healthcare budgets. See European Healthcare Fraud and Corruption Network (2009) 'The financial cost of Healthcare fraud' [http://www.ehfcn.org/media/documents/The-Financial-Cost-of-Healthcare-Fraud--Final-\(2\).pdf](http://www.ehfcn.org/media/documents/The-Financial-Cost-of-Healthcare-Fraud--Final-(2).pdf).

Please note that the savings achieved through better implementation are not additional to the figure on potential savings given below.

¹⁴ OECD, Economics Department IMF conference, 21 June 2011 'Public Health Care Reforms: Challenges and Lessons for Advanced and Emerging Europe. See: <http://www.imf.org/external/np/seminars/eng/2011/paris/pdf/Joumard.pdf>.

¹⁵ Council Conclusions on the Joint Report on Health Systems in the EU, 3054th Council meeting, Economic and Financial affairs, 7.12.2010.

¹⁶ Council Conclusions on the sustainability of public finances in the light of ageing populations, 3167 Council Meeting, Economic and Financial Affairs, 15.5.2012.

¹⁷ Commission, Directorate-General for Economic and Financial Affairs (2012) The Quality of Public Expenditures in the EU, European Economy, Occasional Papers 125, December 2012.

¹⁸ Council Conclusions on the Joint Report on Health Systems in the EU, 3054th Council meeting, Economic and Financial Affairs, 7.12.2010.

¹⁹ Joint Report on health systems prepared by the European Commission and the Economic Policy Committee, European Economy. Occasional Papers. 74. December 2010; and 3054th Council meeting Economic and Financial Affairs Brussels, 7.12.2010.

- encouraging more **cost-effective provision and use of health services** through adequate incentives; this could involve
 - using financial incentives to encourage patients to register with a general practitioner (GP) or family doctor and using a referral system²⁰ to define a cost-effective path of care: from GP, to outpatient specialist, to hospital, to emergency care, while encouraging patients to have less recourse to unnecessary care and emergency services;
 - introducing activity- and/or quality-based payment for diagnosis-related groups of cases or for hospital financing that, for example, increases the use of day surgery instead of in-patient surgery when this is not necessary;
- ensuring a **balanced mix of staff skills** and anticipating staff needs due to ageing; this could include
 - improving staff motivation through non-financial aspects (working conditions, career advancement etc.) and encouraging continuous professional development;
 - addressing the uneven distribution of health staff across regions and developing human resources planning mechanisms to address skill mix shortcomings²¹ (see Section 2.1 on employment in the health sector);
- **reducing the unnecessary use of specialist and hospital care** while improving primary healthcare services; improving access to primary care for certain population groups could include increasing the number of training posts and making general practice more attractive or developing new roles for other healthcare providers, such as advanced practice nurses, and encouraging the relocation of general practitioners to areas where there is a shortage of them;²²
- **better health promotion and disease prevention in and outside the health sector**; this could include measures designed and implemented jointly with other sectors that have a major impact on health, such as education, housing, environment,

²⁰ It is generally accepted, especially in recent years, that strengthening primary healthcare can help improve the equity, efficiency, effectiveness, and responsiveness of health systems. Most studies analysing the transfer of some services from secondary to primary care showed that primary care was more cost-effective. Evidence suggests (Fujiwara R. and Lafortune G., 2008, OECD) that in most countries the remuneration of specialists is higher than that of GPs. The share of GPs as a percentage of all practising physicians varies considerably across the EU, from 49% in France to 7% in Greece and Poland, with an EU average of 29% in 2006–07 and nine Member States where GPs constitute less than 20% of all doctors (Bulgaria, the Czech Republic, Greece, Latvia, Lithuania, Poland, Portugal, Slovakia and Sweden). This may be relevant for countries wishing to implement a primary care-led system with a referral system from primary to specialist and hospital care.

²¹ Most countries with a relatively low number or uneven distribution of GPs have recognised the problem and increased the number of GPs in the last two decades. Despite an increase in the number of practising nurses in almost all Member States, except Lithuania and Slovakia, the ratio of nurses to physicians still varies widely, from four or more nurses per physician in Denmark, Finland, Ireland, the Netherlands and Luxembourg to less than one in Italy or Greece. Commission-OECD, Health at a glance: Europe 2012; http://ec.europa.eu/health/reports/docs/health_glance_2012_en.pdf.

²² *Ibid.*

employment²³ (see Section 2.3 on health promotion and Section 3 on health inequalities);

- **improving data collection** and using available information to underpin the improvement of the performance of health systems; in particular the collection of health data using the European Community Health Indicators (ECHI) and developing tools to better assess the efficiency of health systems (see Section 1.4 on health systems performance assessment);
- **using health technology assessment more systematically for decision-making processes** (see Section 1.3 on health technology assessment);
- ensuring the cost-effective use of medicines; this includes increasing the **use of less expensive equivalent (generic) drugs**²⁴ for example through pricing measures (price limit, lower cost-sharing rate), their prescription, or facilitating their access to the market, as well as improving the assessment of the effectiveness and cost-effectiveness of medicines in general and better informing patients, healthcare staff and insurers about their use and misuse;

The recommendations above from the Commission/EPC report of 2010 are consistent with the WHO's 'ten leading sources of inefficiency of health systems'²⁵ and the OECD's recommendations for health system reform.²⁶

Health system reform is also addressed:

- **As part of the European Semester**, Member States have started to include health systems reform in their National Reform Programmes.²⁷ Following the 2012 Annual Growth Survey,²⁸ six country-specific recommendations on health²⁹ were issued for Austria (implementing reforms to improve the organisation, financing and efficiency of healthcare), Belgium (improving the long-term sustainability of public finances by curbing age-related expenditure, including health expenditure), Bulgaria (doing more to improve the quality of public spending, particularly in the education and health sectors), Cyprus (completing and implementing the national health system), Germany (continuing growth-friendly consolidation by doing more to

²³ For an economic valuation of the health impact of social welfare spending and mortality, see D. Stuckler, S. Basu, M. McKee; Budget Crisis, Health and Social Welfare Programmes; *BMJ* 2010, 340.

²⁴ A recent study on forecasting EU pharmaceutical expenditure shows a consistent reduction (between 2% and 10% depending on the country) in pharmaceutical expenditure in six (France, Germany, Greece, Hungary, Portugal and the United Kingdom) out of seven countries studied (with the exception of Poland). The study concludes that the best ways of reducing pharmaceutical budgets are reducing generic prices, distributing biosimilars through the hospital chain and increasing the number of generic medicines.

²⁵ WHO, The World Health Report — Health systems financing: the path to universal coverage (2010). http://www.who.int/whr/2010/whr10_en.pdf.

²⁶ The OECD has identified several system-level reforms: providing comparative performance indication, reforming provider payment mechanisms, improving the patient's choice and provider competition, giving guidelines on good practice and target, audit and inspection systems. OECD, *Achieving better value for money in healthcare* (2009) and health ministerial meeting, 7-8 October 2010. See also Smith Peter C. *What is the scope for health system efficiency gains to be achieved?*, Eurohealth incorporating Euro Observer — vol.18, No 3 (2012).

²⁷ http://ec.europa.eu/economy_finance/economic_governance/sgp/convergence/programmes/2012_en.htm.

²⁸ Commission Communication, Annual Growth Survey 2012 — COM(2011) 815 final, 23.11.2011. http://ec.europa.eu/europe2020/pdf/ags2012_en.pdf.

²⁹ http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm.

improve the efficiency of public spending on healthcare and long-term care) and the Netherlands (implementing the planned reform of long-term care, aimed at separating the costs of medical care from the costs of assisted living, and complementing it with other measures to contain the increase in costs). The **2013 Annual Growth Survey** recommends reforming health systems to ensure their cost-effectiveness and sustainability and assessing their performance against the twin aims of providing access to high-quality healthcare and using public resources more efficiently.³⁰

- In a **reflection process as a follow-up to Council conclusions of 2010**, Member States are currently identifying effective ways of investing in health for modern, responsive and sustainable health systems. In this context, by the end of 2013, conclusions will be drawn on the following areas of focus of the reflection process: health in the context of the Europe 2020 Strategy and the European Semester; success factors for the effective use of Structural Funds for health investments; responses to health system challenges, in particular in relation to integrated care and the use of pharmaceuticals; measuring and monitoring the effectiveness of health investments.³¹

To support these processes, the Commission is setting up a multisectoral, independent **expert panel to advise on effective ways of investing in health**³² and commissioned a number of **studies** on forecasting EU pharmaceutical expenditure,³³ external reference pricing of medicinal products, reimbursement systems of medicinal products, the economics of primary healthcare financing and the evaluation of public-private partnerships in healthcare delivery.³⁴

1.3. Improving cost-efficiency through sound innovation

New technologies are widely acknowledged as an important tool for boosting innovation. Technological developments can change ways of delivering and organising the provision of health services and goods and, under certain conditions, help increase cost-efficiency. They can however be expensive to buy and operate and may be used inappropriately. Innovations in medical technology are considered one of the primary drivers of healthcare spending. The introduction of innovative

³⁰ Commission Communication, Annual Growth Survey 2013 — COM(2012) 750 final, 28.11.2012, and thematic summary on health and healthcare systems relevant for the Europe 2020 Strategy: http://ec.europa.eu/europe2020/making-it-happen/key-areas/index_en.htm.

³¹ Council Conclusions: Towards modern, responsive and sustainable health systems, 3095 Employment, Social Policy, Health and Consumer Affairs Council meeting, Luxembourg, 6. 6.2011. This process started in 2011 under the auspices of the Working Party on Public Health at Senior Level and is expected to end at the end of 2013.

³² [Commission Decision 2012/C 198/06 of 5 July 2012](#) on setting up a multisectoral and independent expert panel to provide advice on effective ways of investing in health.

³³ Creativ-Ceutical (2012), EU Pharmaceutical expenditure forecast, final report 26 November 2012.

http://ec.europa.eu/health/healthcare/docs/creativ_ceutical_eu_pharmaceutical_expenditure_forecast.pdf.

³⁴ As envisaged in the 2013 work plan of the Health Programme, [Commission implementing decision of 28 November 2012 concerning the adoption of the 2013 work plan \(2012/C — 378/07\)](#). The results of these studies financed by the EU Health programme are expected to become available in the course of 2014.

technological solutions should therefore be thoroughly assessed in terms of their potential to improve efficiency and productivity.³⁵

Health Technology Assessment (HTA) is the main tool developed to assess and support the cost-effective use of new technologies and innovation in healthcare.³⁶ It is a multidisciplinary process firmly rooted in research and the scientific method that summarises information about the medical, social, economic and ethical issues related to the use of a health technology in a systematic, transparent and unbiased manner. It is an essential tool for informing decision-makers and assessing the value of specific actions or technologies, thus reducing the risk of implementing measures that negatively affect patient outcomes.

At EU level, the Commission has been helping Member States exploit the full potential of HTA by fostering cooperation that will pool expertise and prevent the duplication of work as set out in the Directive on the application of patients' rights in cross-border healthcare, through the European network for health technology assessment.³⁷

Health Technology Assessment examples

In Austria and Norway, Health Technology Assessment was used to assess the introduction of the HPV vaccine in national vaccination programmes. Although the two countries had similar views on the effectiveness of the measure, other context-specific considerations, such as different cost considerations, led to different decisions regarding uptake.

In the UK, the National Institute for Health and Clinical Excellence (NICE) issues recommendations based on HTA. One such recommendation is based on the comparison of different medicinal products used as the primary way of preventing osteoporosis. This kind of report provides guidance on what products would be the preferred choice in different settings, based on a cost-effectiveness analysis. It thus serves as guidance for general practitioners in their practice, helping to avoid unnecessary, costly treatments.

In Poland, the Agency for Health Technology Assessment (AHTAPol) was established in 2005 as an advisory body to the Ministry of Health. It prepares recommendations on financing all healthcare services from public funds, notably on the drug reimbursement list (available in pharmacies); therapeutic drugs programmes (expensive, innovative drugs) and the hospital chemotherapy drug reimbursement list; non-drug technologies (medical devices, surgical procedures etc.); national and local government healthcare programmes. This allows for a more holistic approach to the use of limited public health budgets, taking the cost-effectiveness of different treatments into account.

³⁵ EC-EPC (2012), The 2012 Ageing Report: Economic and budgetary projections for the 27 EU Member States (2010-2060).

³⁶ Health technology means a medicinal product, a medical device or medical and surgical procedures as well as measures for disease prevention, diagnosis or treatment used in healthcare.

³⁷ Directive 2011/24/EU of 9 March 2011 on the application of patients' rights in cross-border healthcare — in particular Article 15. This is mainly realised through the European network for health technology assessment. See http://ec.europa.eu/health/technology_assessment/policy/index_en.htm

E-health covers the range of tools that can be used to assist and enhance prevention, diagnosis, treatment, monitoring and management concerning health and lifestyle. It is often perceived as substantially increasing productivity, and therefore as an instrument to support the reform of health systems. Examples of successful e-health developments include health information management and networks, electronic health records, telemedicine services, wearable and portable monitoring systems and health portals. Developing and deploying new technologies is a long-term endeavour. European research programmes have been supporting the development of e-health for the last 15 years. They have established a number of best practices that could be successfully replicated, for example e-health applications improving quality of life and reducing hospitalisation to the benefit of citizens, their families and those involved in providing services.³⁸ Support for the interoperability of health systems within and across national boundaries will improve the mobility and the safety of patients even more by ensuring continuity of care and innovation.

The Commission also contributes to e-health through a range of actions and instruments, such as the Action Plan on e-Health³⁹ and the newly created EU e-Health Network, as part of the implementation of the Directive on the application of patients' rights in cross-border healthcare.⁴⁰

E-health project example

The delivery of **e-prescriptions** in Sweden is a joint initiative between each county council and Apoteket, Sweden's national pharmacy. Via Sjunet, the Swedish Information and Communication Technologies (ICT) network for healthcare, or using web-based prescriptions, 42% of all prescriptions are electronically transferred from the doctor to the pharmacy. E-prescriptions increased the security and quality of prescriptions and reduced medication errors by 15%. They also enabled healthcare providers to save a lot of time. Patients benefited from a dedicated drug information hotline which improved their knowledge and safety and their flexibility to obtain their drugs in any pharmacy. The economic evaluation of the case-study on e-prescriptions in the Stockholm region showed that this electronic service generated an estimated annual net economic benefit of over €95 m in the eight years of its implementation. Five years after planning and development began, the net benefit was approximately €27 m. This is impressive, given the relatively low spending on ICT of less than €4 m for the whole period of eight years. Healthcare provider organisations get 80% of the benefits, mainly from time savings and avoided costs of providing the same timeliness, convenience and reduction in errors without e-health. Citizens get the remaining 20%, chiefly through more safety thanks to correctly issued prescriptions and better adherence to treatment.⁴¹

1.4. Developing tools to better assess the efficiency of health systems

Increasing the return on health investments requires a solid **assessment of the efficiency and effectiveness of spending**. Such an assessment faces three main methodological challenges.

³⁸ See in particular Lluich, M. (2012), Evidence consolidation — Report on best practices and key drivers of success, SIMPHS2, Luxembourg, JRC (European Commission). <http://is.jrc.ec.europa.eu/pages/TFS/documents/SIMPHS2D4.1FinalReportonEvidenceConsolidationrev2acc.pdf>.

³⁹ See http://ec.europa.eu/information_society/activities/health/policy/index_en.htm.

⁴⁰ Directive 2011/24/EU of 9 March 2011 on the application of patients' rights in cross-border healthcare.

⁴¹ E-health is Worth it. The economic benefits of implemented e-health solutions at ten European sites. Karl A. Stroetmann, Tom Jones, Alexander Dobrev, Veli N. Stroetmann, 2006.

The first is to verify that the evidence of efficiency gains and improvements in health obtained through better use of healthcare budgets remains valid when different definitions of health outcomes are used.⁴² A major problem is that much of the evidence focuses on crude measurements such as life expectancy, failing to consider the quality of the years of life gained. This is more clearly brought out by concepts such as Disability Adjusted Life Years (DALY), or Healthy Life Years (HLY).

The second challenge is to disentangle the relative influence of health systems on health outcomes from the impact of other determinants of population health, especially living and working conditions, income, education and the most common lifestyle-related risk factors

The third is the time lags between policy changes and their impact on health outcomes,⁴³ a problem that may involve ‘false savings’ because they may lead to increased costs or other unintended consequences in the long term.

Further assessment of the efficiency of health systems therefore requires a refined analytical framework, structured along three axes:

- (1) the definition of sound, reliable indicator(s) of health outcomes, building on the existing European Community Health Indicators,
- (2) a better understanding of the effects of health systems on health outcomes, as distinct from the impacts on health of other factors such as health determinants and lifestyles, and
- (3) a better understanding of the mechanisms, and therefore the timing, of how health policies affect health outcomes.

The Commission will continue to support the work of Member States by **improving the knowledge and evidence** on health expenditure and health outcomes in the achievement of structural reforms. It will do so by working towards a sustainable health monitoring system in Europe, using the **European Community Health Indicators (ECHI)**,⁴⁴ by developing a sound methodology for **Health System Performance Assessment** and by assessing the cost-effectiveness of health systems through Life Table Analysis. It will also do more to provide much-needed information on the breakdown of expenditure per disease in the EU.⁴⁵

2. Health as an investment in human capital

Cost-effective and efficient health spending is a productive or growth-friendly type of expenditure. It helps increase the economy’s production assets (labour, capital and knowledge). It

⁴² OECD (2008). ‘Health Status Determinants: Lifestyle, Environment, HealthCare Resources and Efficiency,’ OECD Economics Department Working Papers 627.

⁴³ See Philipa Mladovsky, Divya Srivastava, Jonathan Cylus, Marina Karanikolos, Tamás Evetovits, Sarah Thomson, Martin McKee, *Health policy responses to the financial crisis in Europe*, WHO Policy Summary 5 http://www.euro.who.int/_data/assets/pdf_file/0009/170865/e96643.pdf.

⁴⁴ A shortlist of 88 European Community Health Indicators (ECHI) has been developed under different EU Health Programmes and now provides a health monitoring system at EU level. It covers all aspects of health: health status, health determinants, healthcare services, health promotion, demography and socio-economic situation.

⁴⁵ Actions to be undertaken with the financial support of the Health Programme, [Commission implementing decision of 28 November 2012 concerning the adoption of the 2013 work plan \(2012/C — 378/07\)](#).

increases the quantity and the productivity of labour by increasing healthy life expectancy.⁴⁶ Investing in the health of people of working age and enabling people to remain active and in better health for longer helps optimise the 'social dividend'. Investing in health also helps limit future costs related to the treatment of preventable diseases. And finally, investing in health also means investing in an efficient health workforce⁴⁷.

2.1. Contributing to employability and enabling people to remain active for longer

The health status of individuals strongly influences their labour market participation. For example, early labour market exit is often the result of health-related problems.⁴⁸ Depression, musculoskeletal diseases and unhealthy lifestyle factors (e.g. obesity and physical inactivity), are associated with reduced on-the-job productivity. Evidence suggests that ill-health in the population of working age leads to substantial productivity losses. Poor health leads to absenteeism (estimated absenteeism rates range between 3 % and 6 % of working time, representing a yearly cost of about 2.5 % of GDP⁴⁹), job loss (10 % of the people who were previously employed left their job mainly for health reasons), premature retirement or premature mortality. Almost a quarter (23.5 %) of the people currently employed suffer from a chronic condition and have their daily activities restricted.⁵⁰

This **adverse effect of ill-health** is most significant in the later stages of life, when it contributes to a marked decrease in participation in the workforce. In 2010, the employment rate of people over 65 was 4.7 %, that of people aged 60-64 was 30.5 % and that of people aged 55-59 was 60.9 %.⁵¹ Elderly people are much more likely to suffer from multiple diseases (co-morbidity). This has significant human and economic implications and increases the pressure on health systems and social care structures in terms of demand for care⁵².

⁴⁶ Commission, Directorate-General for Economic and Financial Affairs (2012), The Quality of Public Expenditures in the EU, European Economy, Occasional Papers 125, December 2012.

⁴⁷ Key issues pertaining to the future health workforce are covered in: "Towards a job rich recovery", COM(2012) 173 final, notably in the "Action Plan for the EU Health Workforce", SWD(2012) 93 final.

⁴⁸ See for instance various findings from the large-scale Health and Retirement Study project collecting personal data in longitudinal follow-up.

http://hrsonline.isr.umich.edu/sitedocs/databook/HRS_Text_WEB_Ch1.pdf.

⁴⁹ EUROFOUND (2010), Absence from work report.

http://www.eurofound.europa.eu/ewco/studies/tn0911039s/tn0911039s_5.htm.

⁵⁰ The average percentage of productivity loss at work among workers with cardiovascular diseases is estimated at 7 %, compared with 15 % on average for workers with depression and 34 % among workers with upper extremity disorders, Oortwijn et al. (2011), Health of people of working age Report.

http://ec.europa.eu/health/social_determinants/docs/final_full_ecorys_web.pdf.

⁵¹ While several factors such as pension systems and age-management at work influence employment rates, people's health status also affects their ability to continue working. Commission (2012) data.

http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-13012012-BP/EN/3-13012012-BP-EN.PDF.

⁵² For more details, and notably on the need for long-term care, see the Staff Working Document on "Long-term care in ageing societies – Challenges and policy options" adopted as part of this package.

Longer lives are not lived without disability. Europeans are expected to live on average almost 20 years with an activity limitation. The levels of healthy life expectancy in the EU are at 62.2 healthy life years (HLY) for women and 61 HLY for men,⁵³

It is therefore possible **to boost economic growth by improving the health status of the population and enabling people to remain active and in better health for longer**. Access to quality health care is a constituent part of the maintenance of a productive workforce and an integral part of the flexicurity setup⁵⁴. There is scope for creating a cycle in which improvements in health and prosperity are mutually reinforcing.⁵⁵ **Improving the population's health status leads to positive economic outcomes.** An OECD study estimates that for every year of increase in a population's life expectancy GDP could go up as much as 4 %.⁵⁶ Occupational health plays a key role in that context.

However, the potential benefits from health investments through increased population employability are currently not understood well enough. The current cost of occupational accidents and work-related diseases amounts to between 2,6-3,8% of EU GDP⁵⁷. Poor working conditions impact not only on the work-force employability, but also on the sustainability of national healthcare systems. By reducing the workers' exposure to risk factors, well-designed OSH-policies increase productivity and limit the cost of work-related accidents and ill health. European regulation and strategies have helped reduce the incidence of accidents and have played an important role in preventing occupational diseases. However, there is a continuous need to improve the workplace environment by investing in prevention of accidents and diseases caused by work. It should also take into consideration the economic context of the labour market in question. For example, musculoskeletal conditions would have a greater impact on the ability to work and on employability in the blue-collar manual jobs industry than in the white-collar service sector.

One example of a tool to assess the effect of alternative policy outcomes on long-term social expenditure is the social expenditure projection model (SOME⁵⁸) developed in Finland. Explicit consideration is given to the impact of population health and beneficial employment effects. This way, future benefits associated with health investments can be better understood.

Health status of individuals and labour market participation: example of diabetes type 2

⁵³ Commission-OECD (2012), *Health at a Glance: Europe 2012*, OECD Publishing. <http://dx.doi.org/10.1787/9789264183896-en>.

⁵⁴ See "Towards a job rich recovery", COM(2012) 173 final, notably "Open, dynamic and inclusive labour markets", SWD(2012) 97 final.

⁵⁵ Martin McKee and Marc Suhrcke (2010), Investing in Health: A Contribution to the Achievement of the Lisbon Agenda, European Review/Volume 18/Issue 01/February 2010.

<http://journals.cambridge.org/action/displayAbstract?fromPage=online&aid=6906144>.

⁵⁶ Bloom, Canning, Sevilla (2004), The Effect of Health on Economic Growth: a production function approach, World Development, Vol. 32, No 1 (<http://qcpages.qc.cuny.edu/~redwards/GC-Econ71100/bloom-et-al-wd04.pdf>). The WHO 2010 Global Report on Non-Communicable Diseases recognises that each 10% rise in NCDs is associated with 0.5% lower rates of annual economic growth (http://whqlibdoc.who.int/publications/2011/9789240686458_eng.pdf).

⁵⁷ <https://osha.europa.eu/en/safety-health-in-figures>

⁵⁸ Ministry of Social Affairs and Health, *Finland Social expenditure scenarios — effects of health promotion and a presentation of the analysis model*, Reports of the Ministry of Social Affairs and Health 2009:7, 13 February 2009.

A striking example of how prevention can increase labour market participation is the avoidable negative effects of diabetes type 2, which currently affects 7 % of Europeans. A French longitudinal study⁵⁹ found that diabetes type 2 patients lost an estimated mean time of 1.1 year in the workforce between the ages of 35 and 60.

More generally available statistical data⁶⁰ seem to show that chronic conditions have an important impact on several dimensions of social inclusion. Comparing to a healthy individual, the impact of diabetes type 2 for a 50-year old single man is significant. It represents almost 3 % of career lost (in terms of years of working life). It also has significant individual consequences, as it shortens the lifespan by 2.3 % and increases the chance of being at risk of poverty by more than 5 %.

Another way to enable people to remain active and in better health for longer is to help people with chronic conditions that do not require hospitalisation to function actively in society and at home by empowering them to take care of their health in close collaboration with healthcare providers. Learning to manage their own condition should help people to remain integrated in society and the workforce.

The idea of **patient empowerment** is often considered an important and promising aspect of chronic disease management, that can help people lead more proactive and fulfilling lives. Some evidence suggests that self-management (supported for example by e-health applications⁶¹) can be effective through behavioural change, especially for people with long-term conditions. It may improve their health status and reduce their drug treatment costs and the time they spend in hospital.⁶² Empowerment should not substitute professional acute care. However, various patient empowerment models can be applied. More research needs to be done to assess the efficiency and efficacy of these models, and find out how to reach and include specific target groups such as vulnerable populations.

The European Innovation Partnership (EIP) on Active and Healthy Ageing will help citizens to lead healthier, more active and independent lives while ageing. It aims to increase the number of healthy life years of Europeans by two years by 2020. It applies an innovative approach to policy-making in the EU by bringing together key stakeholders (end users, public authorities, and industry) and providing a forum for cooperation, the identification of potential innovation barriers and the mobilisation of funding instruments. It aims to improve the framework conditions for the uptake of innovation, leveraging financing and investments in innovation and improving coordination and coherence between funding for research and innovation at European, national and regional level in the European Union.

⁵⁹ See http://www.hal.inserm.fr/docs/00/59/35/06/PDF/Diabetes_Care_May_2011.pdf.

⁶⁰ Sources: Commission data for Poverty Rates, Life Expectancy, Population, GDP, labour market, healthcare expenditure. International Diabetes Federation (IDF) for Diabetes Type 2 epidemiology and direct medical cost, peer-reviewed journal publications for Quality of Life (QoL).

⁶¹ See Lluch, M. (2012), Evidence consolidation — Report on best practices and key drivers of success, SIMPHS2, Luxembourg JRC (European Commission). Available at <http://is.jrc.ec.europa.eu/pages/TFS/documents/SIMPHS2D4.1FinalReportonEvidenceConsolidationrev2acc.pdf>.

⁶² See Rijken, M., M. Jones, et al. (2008), Supporting self-management. Caring for people with chronic conditions: A health system perspective, E. Nolte and M. McKee, Maidenhead, Open University press (in cooperation with World Health Organisation 2008 on behalf of the European Observatory on Health Systems and Policies).

The EIP focuses **on the following areas throughout a person's life: prevention, screening and early diagnosis; care and cure; active ageing and independent living.** Between now and 2015, 261 commitments, made by over 3000 stakeholders and grouped in six action plans, will be implemented, focusing on the following:⁶³

- prescription and adherence to treatment;
- personal health management, starting with an initiative to prevent old people from falling;
- prevention and early diagnosis of functional decline and frailty;
- replicating and tutoring integrated care for chronic diseases, including remote monitoring;
- developing interoperable independent living solutions, including guidelines for business models; and
- innovating for age-friendly buildings, cities and environments.

Example of a project developed under the European Innovation Partnership on Active and Healthy Ageing — Feelgood Factory Agenda

This project helps people to monitor their health and receive advice through the television. Results show that patients who were in and out of the hospital every week now go to the hospital only once or twice a year.

Liverpool Primary Care Trust (PCT) in the UK is the Feelgood Factory Agenda's lead partner. Much of the focus is on people who are older and have long-term conditions (143 000 in Liverpool). One hundred and fifty 'community health champions' have been recruited to design packages for people with long-term conditions. The packages include lifestyle advice, self-management advice and equipment. Voluntary champion roles might motivate people to work in 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 Life Enhancing Technologies (LETs) and 3 500 users of integrated LETs and social services. Financial and human resources allocated to the initiative include a €21 million programme, consisting of a direct financial contribution of €15.6 million and €6 million in human resources, expertise, the provision of equipment and the use of existing services and infrastructure.

The following areas have proved particularly important in bringing about added value in improving cost-effectiveness and efficiency in health care and the Commission intends to continue to pursue action to⁶⁴

- support **research into the effects of health investments on employability**; better understanding the relationship between the two could facilitate the identification and exchange of good practice;
- contribute to the **practical understanding of patient empowerment** and support exchanges of experience in this field by launching a mapping of current policies and evidence; such a

⁶³ Commission Communication, Taking forward the Strategic Implementation Plan of the European Innovation Partnership on Active and Healthy Ageing — COM(2012) 83 final.

⁶⁴ Through financing from the Health Programme, Commission implementing decision of 28 November 2012 concerning the adoption of the 2013 Health Programme work plan (2012/C — 378/07).

mapping would clarify the scope of patient empowerment and identify potential advantages and barriers.

- continue to encourage cooperation in the **European Innovation Partnership on Active and Healthy Ageing**.

2.2. Promoting good health

Tackling the problem of chronic diseases and addressing the main risk factors that determine population health will help increase people's employability and enable them to stay longer in the workforce. The human and economic burdens of chronic diseases can be contained by devoting resources directly or indirectly to prevention, screening, treatment and care. It is important to do so by targeting the different age groups throughout their lives.⁶⁵ **A large amount of health spending, including in particular disease prevention and health promotion, is regarded as an investment that yields a handsome rate of return.**⁶⁶ **Focusing on disease prevention can reduce high long-term treatment costs and improve health outcomes by avoiding tens of thousands of premature deaths and chronic diseases.**⁶⁷ However, little relative importance is currently given to health promotion in budgetary terms. **Only about 3% of current health expenditure is allocated to public health and prevention programmes.** In other words, most Member States do not use the opportunities for substantial gains in prevention and health promotion, particularly through the health-in-all-policies approach, which aims to influence the environmental, economic and social determinants of health. Given the potential to contain the burden and cost of disease in the long term, the importance given to disease prevention and health promotion should be reassessed.

A recent study⁶⁸ showed that evidence-based workplace interventions to promote mental health could help save up to €135 billion a year by reducing absenteeism and early retirement.

There is a **wide array of health promotion and disease prevention measures** authorities can and should make use of in many different settings (at work, at school and in health institutions). These range from public information campaigns in the media, excise taxes on certain products such as tobacco or alcohol, bans and stricter regulation on labelling, advertising and selling, to health education on school curricula and financial incentives for consumers, patients and providers.⁶⁹

⁶⁵ Council Conclusions on Healthy Ageing across the Lifecycle, 7.12.2012.

⁶⁶ World Economic Forum, Harvard School of Public Health (2011), The Global Economic Burden of Non-Communicable Diseases.

⁶⁷ OECD (2010), 'Obesity and the economics of prevention: Fit not fat'.

⁶⁸ Matrix Insight (2012), 'Economic analysis of workplace mental health promotion and mental disorder prevention programmes and of their potential contributions to EU health, social and economic policy objectives — final report'. See also OECD (2011), 'Sick on the Job. Myths and Realities about Mental Health and Work' and Knapp, McDaid, Parsonage (2011), 'Mental health promotion and mental disorder prevention. The economic case'.

⁶⁹ Joint Report on health systems prepared by the European Commission and the Economic Policy Committee, European Economy, Occasional Papers 74, December 2010.

The World Health Organisation has also identified a number of ‘best buys’ in chronic non-communicable disease prevention: incentive fiscal measures, food product reformulation, detection and treatment of those at high risk of a heart attack, including early detection and treatment of high blood pressure.⁷⁰

The Member States began a reflection process aimed to identify innovative approaches to address chronic diseases.⁷¹ This could include setting up best practice mechanisms at EU level to identify, validate and disseminate good practice and information on policies and measures to tackle the problem of chronic diseases, including the development of quality control instruments. The reflection process on chronic diseases is expected to yield conclusions by the end of 2013.⁷²

2.3. Employment in the health sector

Investing in health also means investing in the health workforce. The health and social work sector⁷³ has in recent years been the single largest contributor to employment, accounting today for about 10% of employment. The sector also generates high-skilled jobs. Almost 40% of workers in the health and social work sector have tertiary qualifications. This is much higher than the 26% average across all sectors.⁷⁴ While the European Union lost more than two and half million jobs between 2008 and 2011, the sector generated over 2.8 million new jobs during the same period. Population ageing is likely to increase that trend. Assuming a constant share of labour in this area, this would mean a regular increase of up to eight million job vacancies by 2020,⁷⁵ although the impact of health reforms and organisational and technological changes on staff needs remains uncertain. The 2013 Annual Growth Survey highlights the potential that can be tapped in this sector, through a future-oriented, reliable legal framework, the development of adequate skills and targeted, fiscally sustainable public support.⁷⁶

Nevertheless, as part of the process of modernising public administration, **the possible increase in employment in the health and social work sector must be carefully balanced against the**

⁷⁰ World Health Organisation (2011), ‘Global status report on non communicable diseases’, http://whqlibdoc.who.int/publications/2011/9789240686458_eng.pdf.

⁷¹ Council Conclusions on ‘Innovative approaches for chronic diseases in public health and healthcare systems’ Brussels, 7.12.2010.

⁷² As foreseen in the 2013 work plan of the Health Programme, this process will be supported by a joint action on chronic diseases that will address preventing and delaying the onset of chronic diseases throughout the life cycle and aspects of the secondary prevention, screening, early diagnosis, and treatment of diabetes type 2, and develop innovative, cost-efficient and patient-centred approaches for the management of patients with multiple chronic conditions.

⁷³ The ‘Health and social work’ sector includes three sub-sectors: ‘human health’, ‘residential care’, and ‘non-residential social work’. For some statistics no breakdown is available; in order to present comparable data it is therefore necessary to present the aggregate value for the whole sector.

⁷⁴ Commission services estimate.

⁷⁵ The last CEDEFOP skills forecast expects employment to increase by one million between 2010 and 2020. Increasing healthcare needs and the ageing of healthcare professionals should result in seven million vacancies due to replacement needs. Therefore, together with net employment change, around eight million job vacancies in total are projected. See CEDEFOP (2010), Skills supply and demand in Europe Medium-term forecast up to 2020 and <http://www.cedefop.europa.eu/EN/about-cedefop/projects/forecasting-skill-demand-and-supply/skills-forecasts.aspx>.

⁷⁶ Commission Communication, Annual Growth Survey 2013 — COM(2012) 750 final, 28.11.2012.

potential increase in public expenditure on health and overall public expenditure and must not compromise the attainment of fiscal sustainability. Future needs related to an ageing population must be met by exploiting the extensive margin for efficiency gain and better productivity.

The **Action Plan for the EU health workforce**, which is part of the Employment Package of Spring 2012 "Towards a Job Rich Recovery"⁷⁷ supports cooperation to help improve workforce planning and forecasting and the recruitment and retention of health professionals. An EU joint action⁷⁸ on forecasting health workforce needs for effective planning in the EU will create a partnership of Member States and professional organisations to share good practice and develop methodologies.

3. Reducing inequalities in health

Health outcomes vary considerably within and between Member States. In 2010, the gap in life expectancy at birth between the highest and lowest values for EU-27 Member States was 11.6 years for males and 7.9 years for females. People with a lower income and less education die younger and their health is worse. For example, differences in life expectancy at age 30 between those in higher education and those with basic secondary education or less exceed 10 years in many Member States.⁷⁹

Across the EU the level of disability, in terms of reported restrictions on daily living activities, is more than twice as high in the lowest income quintile as in the highest income quintile.⁸⁰ **Even larger health inequalities exist for some vulnerable groups** such as some ethnic minorities (Roma) and some migrant groups.

These health inequalities represent not only a waste of human potential, but also a huge potential economic loss — conservatively estimated at between 1.5 % and 9.5 % of GDP according to a report written for the Commission.⁸¹

Reasons for these differences include **barriers in access to healthcare, which is often worse for disadvantaged groups/ persons in vulnerable situations**⁸² and in less wealthy Member States,⁸³ as

⁷⁷ Commission Staff Working Document on an Action Plan for the EU Health Workforce — SWD(2012) 93 final attached to the Commission Communication, Towards a Job Rich Recovery — COM(2012) 173 final, April 2012.

⁷⁸ To be financed by the EU Health programme, see Commission Implementing Decision of 28 November 2012 on the Health programme work plan for 2013 (2011/C/ 358/06).

⁷⁹ Eurostat statistics in focus 24/2010.

⁸⁰ EU Statistics on Income and Living Conditions.

⁸¹ Economic implications of socio-economic inequalities in health in the European Union, Mackenbach J, Meerding W, Kunst A., Directorate-General for Health and Consumers 2007.

⁸² Devaux M, de Looper M, Income-related inequalities in health service utilisation in 19 OECD countries 2008-2009, OECD Health working papers 58, 2012.

⁸³ Citizens from central and eastern Europe, as shown by the FP7 Research Project ASSPRO CEE 2007 (<http://www.assprocee2007.com/>), are often confronted with informal patient payments for healthcare services. These range from the ex-ante cash payment to the ex-post gift in kind. The causes of informal payments need to be tackled for these reforms to be successful and to guarantee equal access to healthcare. Vulnerable groups or households with a chronically ill member are less protected against informal payments

well as poorer diets, housing, living and working conditions, and higher levels of health-damaging behaviours. The impact of the current crisis on these factors threatens to increase health inequalities between social groups and between Member States.

As stated in the 2013 AGS, ‘additional efforts are needed to ensure the effectiveness of social protection systems in countering the effects of the crisis, to promote social inclusion and to prevent poverty’, including by providing broad access to affordable, high-quality health services.⁸⁴ **Investments to reduce inequalities in health should therefore also make a positive contribution towards reaching the Europe 2020 poverty and social exclusion target.**

A multisectoral approach is required, with a focus on achieving greater gains in less advantaged groups than the average in order to close gaps.⁸⁵ Key measures are to prioritise less advantaged groups in policies to improve the quality of and access to health systems, to address the underlying risk factors in health behaviours and to ensure adequate incomes and living and working conditions.⁸⁶ Such measures are underpinned by the fundamental values and commitments the EU and its Member States have agreed on with regard to human rights, equal opportunities, social and economic cohesion and solidarity. Specific EU action on health inequalities is set out in the **2009 Commission Communication on health inequalities, *Solidarity in Health***. A progress report on the health inequalities situation and the actions set out in the Communication will be published in 2013.

Data on the effects of social transfers on the at-risk-of-poverty rate suggests that **healthcare plays a significant role in reducing the at-risk-of-poverty rate**. Access to affordable healthcare is therefore necessary for adequate livelihoods. Fiscal consolidation measures applied to health systems should not compromise the access of poor, vulnerable populations to high-quality healthcare.

According to a study of policy responses to the economic crisis,⁸⁷ several countries have increased user charges for essential services, while in some cases also allowing more income-based exemptions.⁸⁸ Given that vulnerable populations are already disproportionately affected by the economic crisis and that ill health has negative outcomes on employability, possible effects on those populations should be carefully assessed. **Healthcare coverage can help reduce poverty**. Measures

and are most likely to forego treatment or to experience catastrophic, impoverishing effects due to formal and informal out-of-pocket payments.

⁸⁴ Commission Communication — Annual Growth Survey 2013 — COM(2012) 750 final, 28.11.2012.

⁸⁵ Two documents accompanying this package address in particular children, as investments in prevention during early childhood are likely to bring substantial benefits over the whole lifespan, and homelessness, as health problems are both a triggering factor and a consequence of homelessness. See the Commission Recommendation on "Investing in children: breaking the cycle of disadvantage", and the Commission Staff Working Document on "Confronting Homelessness in the European Union" adopted as part of this package..

⁸⁶ On the importance of access to quality services, and notably health services, as part of an active inclusion strategy, see the Commission Staff Working Document on "the Follow-up on the implementation by Member States of the 2008 European Commission recommendation on active inclusion of people excluded from the labour market" adopted as part of this package.

⁸⁷ Philipa Mladovsky et al. (2012), Health policy responses to the financial crisis in Europe, WHO Policy Summary 5. http://www.euro.who.int/_data/assets/pdf_file/0009/170865/e96643.pdf.

⁸⁸ This is however unlikely to lead to substantial savings in budgets as health spending is concentrated on a section of the population that does not necessarily overlap with the poorest section (lowest income quintile), and protects against catastrophic health expenditure (the inability of individuals to pay for healthcare services — in itself not necessarily synonymous with high healthcare costs). This suggests that income-based exemptions should be coupled with co-payment ceilings.

such as those that increase co-payments risk aggravating the economic hardship borne by vulnerable populations by reducing access to healthcare.⁸⁹

Increasing knowledge of the effects of healthcare coverage on poverty, as measured at household level, should take the following into account.

- Evidence suggesting that a large amount of total spending on healthcare during a person's life is concentrated in the final year(s) of life.⁹⁰ Health expenditure comparisons between individuals would therefore ideally be based on lifetime analyses and not be limited to a given year.
- The inherent complexity of interactions among several causal factors and variables, such as the likelihood of similarity in the socio-economic backgrounds of spouses and feedback loops in causal pathways between health and poverty.

Good practice example — analysis of the redistributive impact of public health expenditure

A 2011 paper by Spadaro et al.⁹¹ shows how data collected for the Eurostat Survey of Income and Living Conditions (SILC) can be used to analyse the redistributive impact of public health expenditure in Spain. This is done using an insurance value approach to take account of the effect of healthcare expenditure on household budgets. The equivalent household income complemented by public healthcare coverage is assessed and compared with household disposable income. It is found that public healthcare coverage is likely to keep families out of poverty. Extending the analysis to incorporate the household income foregone due to healthcare-related tax transfers would allow the net impact of public healthcare coverage to be estimated in terms of the percentage of poverty avoided. This could be calculated as the added number of covered residents that would fall below a given poverty threshold in the hypothetical absence of healthcare coverage.

Spain recently introduced reforms of its co-payment system for medicines. The reforms take into account the redistributive impact of the co-payment system by linking it to the level of income, thus making it more progressive.

The Commission will continue to support measures to address health inequalities within and between Member States by implementing the **2009 Communication *Solidarity in Health: Reducing Health Inequalities in the EU***.⁹² It plans to increase knowledge and evidence to facilitate the exchange of best practice and share understanding of the effects of health investments on social exclusion and poverty reduction. This must include tackling the methodological difficulty of valuing benefits in kind.

⁸⁹ HOPE, the European Hospital and Healthcare Federation reports a marked increase in emergency services activities and longer waiting time and waiting lists. http://www.hope.be/05eventsandpublications/docpublications/86_crisis/86_HOPE-The_Crisis_Hospitals_Healthcare_April_2011.pdf.

⁹⁰ Commission, 2009 Ageing report, Economic and budgetary projections for the EU-27 Member States 2008-2060. http://ec.europa.eu/economy_finance/publications/publication14992_en.pdf.

⁹¹ http://www.ief.es/documentos/investigacion/seminarios/economia_publica/2011_18MayoPPT.pdf.

⁹² COM(2009) 567 final. The Communication is implemented in particular through a Joint Action supported by the Health Programme: <http://ec.europa.eu/eahc/projects/database.html?prjno=20102203>. A progress report on the implementation of the Communication is to be published in 2013.

4. European financial instruments for investing in health

As a follow-up to the current **EU Health Programme**, and as part of the Multiannual Financial Framework 2014–20, the Commission put forward a proposal for a new Health Programme. It strengthens the link between economic growth and a healthy population and is geared towards measures in line with the Europe 2020 objectives. The programme has four objectives:

- to contribute to innovative and sustainable health systems;
- to increase access to better and safer healthcare for all EU citizens;
- to promote good health and prevent diseases by addressing the risk factors of most diseases;
- to protect people from cross-border health threats.

The EU's **Cohesion Policy and its funds**⁹³ are also powerful instruments to help Member States invest in sustainable, innovative and reformed health systems, in people's health for employability and in reducing health inequalities. The Member States allocated over five billion euro on health infrastructure from 2007 to 2013. Using structural funds for non-direct health investments such as urban regeneration, transport, environment, employment, social inclusion and housing can also have positive impacts on population's health.⁹⁴

The Commission proposals for the next programming period (2014–2020) provide for the support of the Cohesion and Structural Funds to the Member States' investments in health. Health is also included in most of the thematic objectives of the Common Strategic Framework.⁹⁵ The EU Cohesion and Structural Funds should co-finance investments in health by the Member States that follow a coherent, strategic policy approach by

- investing in health infrastructure that fosters a transformational change in the health system, in particular reinforcing the shift from a hospital-centred model to community-based care and integrated services;
- improving access to affordable, sustainable and high-quality healthcare, in particular with a view to reducing health inequalities between regions and giving disadvantaged groups and marginalised communities better access to healthcare;
- supporting the adaptation, up-skilling and life-long learning of the health workforce;
- fostering active, healthy ageing to promote employability and employment and enable people to stay active for longer.

⁹³ For the specific role of the European Social Fund, see European Commission Staff Working Document - *Social investment through the European Social Fund*, SWD(2013) 44, adopted as part of this package.

⁹⁴ For more information on health gains through structural funds see <http://www.healthgain.eu/>

⁹⁵ Commission proposal for a regulation laying down common provisions and creating a common strategic framework, in particular Annex IV — COM(2011) 615 final/2, 2011/0276 (COD).

The Seventh Framework Programme and the EU programme for research and innovation for 2014 to 2020 (**Horizon 2020**)⁹⁶ also provide financial opportunities to address the societal challenge of an ageing population and harness innovation in public health and the management of health systems.

Conclusion

Getting more value for money through reforms and investments is crucial. Investing in health can lead to smarter spending — not more spending — that brings savings or secures better health outcomes. It may take different forms, such as change in the management of care to improve efficiency while improving health outcomes, investment in healthcare staff, training or equipment and initiatives to promote good health and prevent diseases.. The avoidable morbidity and mortality underlying health inequalities represent a waste of human capital that must be reduced.

Universal access to safe, high-quality, efficient healthcare services, better cooperation between social and healthcare services and effective public health policies to prevent chronic disease can make an important contribution to economic productivity and social inclusion. Reforms complemented by the above mentioned targeted investments should foster cost-effective innovation to achieve good health outcomes and aim to avoid increasing disease and financial burdens in the long term. **Financial consolidation and structural reform of health systems must go hand in hand to continue delivering on public policy goals and ensure that efficiency gains will guarantee universal access and increase the quality of healthcare. They should be addressed as part of the wider agenda of structural reforms within the context of Europe 2020 and the European Semester.**

⁹⁶ Proposal for a Regulation of the European Parliament and Council establishing Horizon 2020 — the Framework Programme for Research and Innovation (2014–20), COM(2011) 809 final.



Brussels, 20.2.2013
SWD(2013) 41 final

Social Investment Package

COMMISSION STAFF WORKING DOCUMENT

Long-term care in ageing societies - Challenges and policy options

Accompanying the document

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020

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1. INTRODUCTION

This Commission Staff Working Document, which is part of the Social Investment Package, deals with social protection against the long-term care (LTC) risks that affect women and men if they develop frailties or contract multi-morbidities as they age¹.

As one of the annexes addressing how social investment at different stages of life can ensure better outcomes at lower or similar levels of cost and staffing, this document also links to the annexes on Investing in Health and on Social Services of General Interest.

It demonstrates that even late in life there are strong arguments for a social investment approach to social protection. If Member States where the number of very old people will triple in the coming decades are to be able to offer sufficient social protection against LTC risks they will need to find ways to contain the growth in the demand for LTC provision while also raising the efficiency of care provision. Thus, arguments focus on the economic and social returns that a determined strategy of social investment can achieve through a combination of reduced disability in old age, improved capacity of older people to manage functional limitations and higher productivity in care delivery.

In line with the Guiding Principles on Active Ageing adopted by the Council², this document follows up the focus on independent living in the EY2012 on Active Ageing³. Moreover, in support of the objectives of Europe2020⁴, it suggests how one of the key challenges of population ageing may be addressed.

Across the European Union, long-term care for older people refers to a range of services and assistance for persons who over an extended period of time are dependent on help with basic activities of daily living (ADLs)⁵ and/or instrumental activities of daily living (IADLs)⁶. In Member States with extensive provision, social protection against LTC risks also increasingly includes measures that help prevent, postpone or mitigate the onset of LTC needs.

It is estimated that one in two women and one in three men will come to need *intensive* long-term care as they age. The need for long-term care arises as a result of disability, which is usually due to health problems. But long-term care is organised and financed differently from acute health care in all Member States. Whereas health care is almost exclusively dispensed by health care professionals, a substantial part of LTC services is provided by untrained informal family carers. Therefore, it makes sense to view LTC provision as a combination of informal and formal care. Moreover, since social services such as home help are an integral part of formal LTC services and benefits, they also involve a skill-mix in staffing which differs from health care.

Long-term care is a highly gendered issue. Older women have a higher life expectancy and a different pattern of morbidity in old age, so most care recipients are women (both in home and

¹ LTC provision for children and working-age adults with physical and mental disabilities falls outside the scope of this analysis. The focus is on the probability that older people will need LTC and on population ageing, which is likely to lead to a strong increase in the size of those older age-groups at particular risk.

² See: <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1743&furtherNews=yes>.

³ See: <http://europa.eu/ey2012/>.

⁴ See: http://ec.europa.eu/europe2020/index_en.htm.

⁵ **ADLs:** Activities of Daily Living are self-care activities that a person must perform every day such as bathing, dressing, eating, getting in and out of bed or a chair, moving around, using the toilet, and controlling bladder and bowel functions.

⁶ **IADLs:** Instrumental activities of daily living are activities related to independent living and include preparing meals, managing money, shopping for groceries or personal items, performing light or heavy housework, and using a telephone.

institutional care services)⁷. Moreover, the vast majority of both informal and formal carers are women⁸.

As a strand of social protection, long-term care provision is a Member State responsibility. While EU countries set their own level of ambition in LTC provision, they have also agreed a set of common objectives centred on access for all to financially sustainable, high-quality long-term care. These guide collaboration on LTC issues in the Social Protection Committee.

Differences between Member States in providing long-term care are more pronounced than in any other field of social protection. While this can make EU policy coordination more complicated, it also increases the potential benefits of EU-level collaboration. Given that Member States are at very different stages in their efforts to address the need for long-term care services, Europe could potentially add significant value by pooling the cost of research and development and by facilitating knowledge transfer and mutual learning on better ways of mitigating dependency and delivering LTC services.

Population ageing is the key common challenge in this field for Member States in the medium- to longer-term perspective. Over the next five decades, the number of Europeans aged 80+, and at particular risk of developing a need for LTC, is set to triple. In the same period the reservoir of potential formal and informal carers will reduce significantly as the working-age population will shrink, the number of women employed grow, retirement ages rise and family and living arrangements change. Given that formal LTC provision tends to be underdeveloped in several Member States at present and that Member States with extensive long-term care services already find it difficult to meet the demand, these prospects are daunting. Unless new, more effective ways of addressing the care needs of older persons are developed, long-term care services will be overwhelmed, and a huge gap will open between LTC needs and the ability of social protection systems to meet them.

This paper examines how long-term care needs may develop given the trends in demography and health. It describes the diversity of LTC provision across the EU and discusses the strengths and limits of present LTC approaches from a social protection perspective and in view of future challenges. It then analyses policies and gives examples of good practices that could help Member States meet the challenges and provide better protection against LTC risks.

It finds that there is a need for a longer-term strategy of social investment combining policies of

- (1) prevention, health promotion and rehabilitation with
- (2) systematic productivity drives in care delivery and
- (3) measures that raise the capacity of frail older people to manage self-care and independent living.

It examines the extent to which such practices are already successfully emerging and whether Europe can help Member States with the further development and dissemination of policies of this sort.

⁷ Hubert M. et al. (2009) Facts and Figures on Long-term Care: Europe and North America, European Centre for Social Welfare Policy and Research.

⁸ Ibid.

2. EXPECTED GROWTH IN LONG-TERM CARE NEEDS

The scale of future needs for long-term care services among older women and men will depend on three factors:

- the *number of people in the age group 80+*, those most likely to need LTC;
- long-term care needs as a function of *average health status*, i.e. the extent to which older people, as they age, are likely to grow frail and develop multi-morbidities;
- the degree to which older people can *manage independent lives* in spite of functional limitations.

The number of people aged 80+ can be forecast with considerable certainty and is a given. Policy makers may influence the two other determinants, particularly in the medium to longer term.

The average health status in old age will result from health determinants in individuals' prior lives, including their health behaviours and living conditions as they age, as well as from effective medical treatments that preserve or restore physical and mental functions.

Their ability to live independently will depend on the age-friendliness of environments and living arrangements and on access to assistive technologies. Thus public policies need to focus not only on how to meet long-term care needs, as seemingly dictated by demography, but should adopt a more preventive stance, seeking to minimise the need for LTC services.

2.1. Demography

People tend to live longer, and the baby-boom cohorts are joining the ranks of the elderly. As a result the number of Europeans aged 80+ is set to rise particularly fast. This so-called 'ageing of the old' will be especially pronounced from 2030 to 2040. Between now and 2060, the number of people over 80 is expected to almost triple.

Development in number of people 65+ and 80 + in EU27, 2008-2060, millions

EU27	2008	2010	2020	2030	2040	2050	2060	% change 2008-2060
65+	84,6	87	103,7	123,5	143,1	149,9	152,7	80,50%
<i>Of which: 80+</i>	21,8	23,3	29,7	36,6	48,8	57,5	62,2	185,40%

Source: 2010 EUROPOP

Meanwhile, according to the 2012 Ageing Report⁹, the EU27's population of working age is expected to decline by 14.2 % (2010-2060). Thus, EU Member States cannot rely on a general increase in labour supply to meet the growth in long-term care needs that could result from a tripling of the number of people aged 80+. Even if more people are recruited into the workforce, there will be such competition for manpower that it will be very difficult to attract enough extra staff to formal long-term care to match growing needs. Moreover, the potential reservoir of informal carers, mainly spouses and daughters or daughters-in-law¹⁰, will also be affected by strong structural trends. With the changes in the structure of families and growth in female employment rates as well as higher pensionable ages and later retirement for women, the availability of informal carers will be limited.

⁹ European Commission (DG ECFIN) — Economic Policy Committee (AWG), 2012, 'The 2012 Ageing Report — Economic and budgetary projections for the 27 EU Member States (2010-2060)', European Economy No 2/2012.

¹⁰ Hubert M. et al. (2009) Facts and Figures on Long-term Care: Europe and North America, European Centre for Social Welfare Policy and Research.

2.2. Dependency levels — developments in health status

The increase in life expectancy has been accompanied by an increase in the occurrence of chronic diseases that can limit the ability to handle some daily activities. Thus, the need for long-term care does not arise from ageing itself, but is rather the consequence of the prevalence of frailty and multi-morbidity and the degree to which this causes individuals to be dependent on others for assistance with basic and/or instrumental activities in daily living (ADLs, IADLs).

There is an on-going debate on whether higher life expectancy increases the likelihood of functional impairments. Looking at recent trends in *severe* disability, the evidence is inconclusive: while data for a number of EU countries showed clear reductions from the early 1990s to the early 2000s¹¹, for other countries, severe disability among older people seemed to have increased¹². Moreover, different data sets found opposite trends (decline in Denmark, Finland, Italy and the Netherlands; an increase in Belgium and Sweden; and mixed evidence in France and the UK)¹³.

Indicators of healthy life years measure the number of remaining years that a person of a specific age can expect to live without any severe or moderate health problems or acquired disabilities (Eurostat, 2010). In 2009, men and women in the EU27 at age 65 could expect to live more than half of their remaining years with a frailty or disability that could affect their ability to manage instrumental and/or self-care activities of daily living.

	Healthy life expectancy at 65 Men	Life expectancy at 65 Men	Percentage of life expectancy at 65 without disability Men	Healthy life expectancy at 65 Women	Life expectancy at 65 Women	Percentage of life expectancy at 65 without disability Women
EU27	8,4	16,5	51,0%	8,6	20,1	42,7%

Source: Eurostat Statistics Database; Joint Action European Health and Life Expectancy Information System (JA EHLEIS). <http://dx.doi.org/10.1787/888932702936>

The key question is whether, as life expectancy increases, dependency levels in old age will increase, remain constant or decrease. We do not yet know the extent to which the prevalence of disability will be affected over the next decades, as possible changes in health behaviours and new treatments take effect.

For instance, Carol Jagger¹⁴ found that with increasing life expectancy in the UK, there will be an increase in disability prevalence by 2030. Other international evidence suggests however that the health of older people in the EU will continue to improve.

¹¹ Lipszyc, B. et al. (2012), 'Long-term care: need, use and expenditure in the EU-27', Economic Papers 469, November 2012, available at: http://ec.europa.eu/economy_finance/publications/economic_paper/2012/ecp469_en.htm.

¹² Triantafillou J. et al, 2010, Informal care in LTC — European Overview Paper, INTERLINKS report.

¹³ EU-SILC data quoted in *ECFIN (2012) Long-term care: need, use and expenditure in the EU-27, European Economy. Economic Papers. 469* also show a mixed picture for developments from 2006-2009.

¹⁴ MAP 2030 / Carol Jagger — University of Newcastle.

Future LTC challenge illustrated by results of micro-simulation of trends in old age morbidity for Sweden

Micro-simulation using a 300.000 big representative segment of the present Swedish population (*LEV Project - Swedish Min. of Health & Social Affairs 2010*) has shown how policies leading to a compression of morbidity and a rise in the productivity of social and health care (including through greater deployment of assistive aids and use of home environment adaptation which enable people with ADLs to manage their handicaps and live independent lives) can help to meet future care needs - even at the height of population ageing.

In the illustrative figure for Sweden below, remaining life expectancy at the age of 65 in 2010 and 2050 is divided into healthy and unhealthy years. For 2050, where elderly Swedes can be expected to live about 2.5 years longer, three scenarios for this division are sketched: Expansion of morbidity, dynamic equilibrium and compression of morbidity.

If longer lives only lead to a growth in unhealthy years, the challenge in LTC provision will be very big. If morbidity can be contained to the same amount of years as in 2010 its relative weight in remaining life after 65 will drop. But the challenge will still increase with the growth in the number of very old people.

However, if a compression of the morbidity and of the extent to which it leads to LTC needs can be brought about (including through a growth in the ability to tackle part of the ADLs resulting from morbidity through deployment of new assistive technologies), the impact of the growth in the number of older people will be mitigated. Such a compression could result from a combination of healthy ageing life-styles and better prevention and rehabilitation.



Source: Statistics Sweden 2010

Lafortune and Balestat¹⁵ have convincingly argued that, although different trends in severe disability have been observed among countries, the scale of the increase in the number of people over 65 is bound to lead to a rise in the number of severely disabled older people. A decline in the prevalence of severe disability could mitigate this growth, but it will not compensate for the large increase in the number of people in the age groups at risk.

At this stage, it seems safe to assume that the ageing of the population will lead to a significant *increase in the number* of frail older people with functional limitations and disabilities. Still, as highlighted above, the need and demand for long-term care is not just a function of the prevalence of disability.

2.3. Conditions influencing the capacity for independent living

The extent to which physical and mental impairment means people becoming dependent is influenced by a person's *perception* of their ability to manage despite functional limitations. It matters a lot whether people are encouraged and enabled to cope.

The ability to 'age-in-place' and avoid institutional care is usually beneficial for the mental and physical health of older persons. This is also clearly reflected in people's preferences. If they develop a need for long-term care in some form, the overwhelming majority of older

¹⁵ Lafortune and Balestat (OECD 2007).

people would prefer to have home help and home care, enabling them to remain in their homes¹⁶. Four key factors influence the likelihood of this happening:

- People's capacity for independent living is influenced by *whether they live alone*. The availability of mutual support when living with other household members greatly enhances the coping ability of frail people. If they live on their own, their need for outside support is more likely to become an issue. Still, much can be done to improve their ability to continue to handle most essential aspects of everyday living.
- *Improving the age-friendliness* of the homes of older persons can play a great part in their ability to continue living independently when they become frail and develop multi-morbidities. The ability to remain in one's home depends to a great extent on whether risks are addressed, by removing obstacles and hazards in the home and installing facilitating devices. Raising older people's awareness of what they themselves can do to take simple measures to avoid accidents and facilitate access can greatly improve their ability to cope.
- *Assistive aids* and *modern ICT* offer promising opportunities to enable older people to go on living independently and help informal carers in providing care while preserving their private and professional lives¹⁷. Automated toilets, walking and lifting aids, power utensils, monitoring and communication tools are among the aids available, and there are rapid advances in this field. Developments in standard *Home appliances* can be of immense importance: for instance the widespread use of micro-wave ovens has been a great help to frail older people, enabling them to prepare their own hot meals. Monitoring and reminding devices can provide support. Care can be managed remotely, helping people to maintain independence safely. Technological devices for older or disabled people are becoming available at affordable prices. They can help improve cognitive health, reducing isolation and facilitating a wide range of activities around the house. Public procurement policies can support such developments.
- *Access to informal or formal home help and home care* services if older people cannot quite manage on their own. Tailoring such support so that it underpins a person's capacity for independent living is one of the key challenges for care providers, whether formal or informal. Carers can also use many new technology solutions to improve work coordination and to reduce workload and stress, so that they can plan and use their working time more efficiently.

3. PRESENT SUPPLY OF LTC IN THE EU UNDER DIFFERENT FINANCING AND DELIVERY MODELS

3.1. Considerable differences in LTC provision

The way in which long-term care is treated in the social protection systems of EU Member States varies greatly, notably in the *relative weight* assigned to formal and informal care. There is also marked diversity in the way formal care is *organised* (e.g. by public, for-profit or NGO providers), *financed* (e.g. via general taxation, obligatory social security, voluntary

¹⁶ 'Health and long-term care in the European Union', Special Eurobarometer 283/wave 67.3, Dec. 2007.

¹⁷ JRC (2013) *Can technology -based services support long-term care challenges in home care? Analysis of Evidence from Social Innovation Good Practices across the EU: CARICT Project Summary Report*. Authors: Carretero, S.; Stewart, J.; Centeno, C.; Barbabella, F.; Schmidt, A.; Lamontagne-Godwin, F. and Lamura, G. JRC Scientific and Technical Reports Series, EUR 25 695 EN, at: <http://ipts.jrc.ec.europa.eu/publications/pub.cfm?id=5899>.

private insurance or out-of-pocket payments) and *delivered* (e.g. as home care or institutional care).

In all Member States, informal care provided by relatives plays a significant role in the overall volume of long-term care provided. But there is enormous variation in the degree to which affordable formal services have been developed and are made available.

Formal LTC services may be provided in a variety of settings, including institutions, from traditional old people's homes to modern nursing homes, in supported living arrangements (e.g. residential care) or people's own homes (e.g. home help or home care). Long-term care may cover different mixes of health care and social services.

Several countries offer cash benefits or vouchers that can be used to pay for LTC services delivered by professional care providers and, in some cases, by informal carers. In countries where untrained family members can be contracted as informal carers and receive an allowance for the care they provide, the distinction between informal and formal care is blurred.

There is no consistency in the legal framework for providing long-term care across the EU. In many Member States, extended families are obliged to provide and/or finance care for their elderly relatives. But countries differ in the extent to which they enforce this legal responsibility and monitor whether care needs are actually met¹⁸. Where formal provisions are well-developed, the rules about when people in need of long-term care have an enforceable right to certain types and amounts of care are rather dissimilar.

At one end of a wide spectrum, some Member States basically or primarily still rely on families to tend to all of their elderly relatives' needs for long-term care. Families cope either by acting as informal carers themselves, or by arranging external help and financing it out-of-pocket. There is no or little pooling of risks across families through formal social protection.

A large number of Member States have developed some formal long-term care services and secured at least partial collective financing, either through social insurance schemes or through revenues from general taxation. Yet, the accessibility, affordability and quality of these formal LTC services differ considerably.

At the other end of the spectrum, a handful of countries with four decades of experience in providing extensive care seek to take comprehensive and integrated approaches to social protection against LTC risks in old age. Such approaches include aspects of other public health policies, such as preventive measures, active and healthy ageing, promoting autonomy and the capacity to live independently through e.g. assistive aids for self-care, provision of health and social LTC services, and end-of-life or palliative care.

3.2. Data on current LTC provision

Comparable data at EU27 level on the current provision of formal and informal long-term care for elderly people are rather sparse.

For the purpose of the projections in the 2012 Ageing Report¹⁹, the picture of present public expenditure for long-term care has been assembled from data agreed by Member States (see Figure 1)²⁰. In this scenario-building exercise, informal care is generally viewed as being of no direct cost to the public budget, whereas formal provision is understood to involve public

¹⁸ MISSOC: <http://ec.europa.eu/social/main.jsp?langId=en&catId=815>.

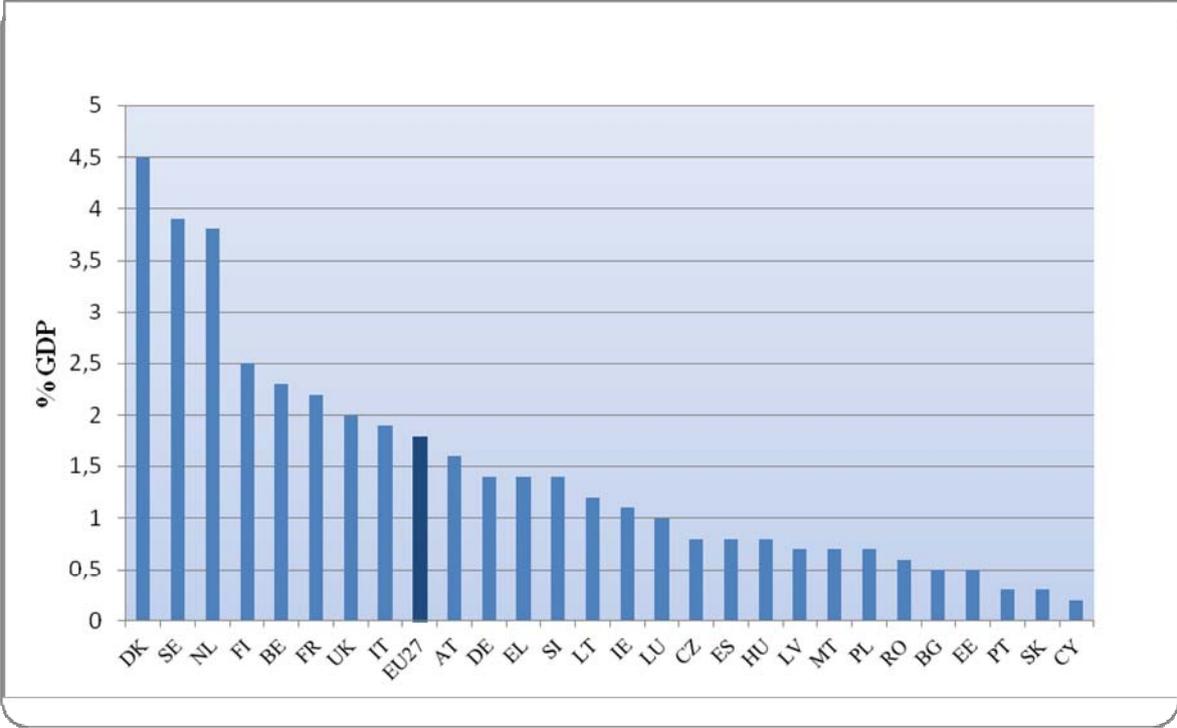
¹⁹ European Commission (DG ECFIN) — Economic Policy Committee (AWG), 2012, 'The 2012 Ageing Report — Economic and budgetary projections for the 27 EU Member States (2010-2060).

²⁰ Data are from the SHA and/or ESSPROS databases and/or from Member States, and are agreed by Member States.

expenditure, calculated as the sum of publicly financed benefits in kind and in cash for long-term care purposes.

Public spending ranges from 4.5 % of GDP in DK to 0.2 % in CY or by more than a factor 20. The average for the EU27 is 1.8 % of GDP. SE, NL and DK are high-spending countries, with more than twice the EU average of their GDP devoted to long-term care. Five Member States spend between 2 % and 2.5 %, seven countries are in the 1-1.5 % range, nine in the 0.5-0.8 % span, and the remaining three spend 0.3 % or less.

Fig. 1 Public expenditure on long-term care as percentage of GDP in 2010, all ages



Source: based on data from the 2012 Ageing Report.

These variations in public expenditure on long-term care mainly reflect differences in the ‘coverage’²¹ of formal systems of home care and institutional care. The estimates of coverage illustrate both the varying extent to which people with care needs receive formal LTC services and differences in the use of home care and institutional care. Some countries report little home care and also seem to have relatively limited ability to respond to demand for institutional care. Some countries like DK, LT, NL and SE show relatively impressive coverage rates in both types of provision, while a few rely predominantly on one or the other. In 2010, the UK, EL, IE, LU, AT, DE, FR and IT seemed to rely relatively more on home care, while institutional coverage rates, though moderate overall, were relatively higher in countries like CZ, BG, SI and HU.

²¹ In the Ageing Report 2012 a proxy for ‘coverage’ is constructed by calculating the number of recipients of formal LTC benefits in cash and in kind reported by Member States as a percentage of people with dependency needs as measured by EU-SILC. As people may receive both kinds of benefit, the number of recipients may involve some double counting.

3.3. Composition of LTC provision

3.3.1. Mix and cost of formal and informal care

Public long-term care expenditure largely depends on how much a country relies on formal care. Formal and informal care can be substitutes or complements, depending on the type of care and needs. While formal care is recognised as costly, both for the economy and the exchequer, informal family care also entails both opportunity costs and regular costs for families. Family care involves costs for the economy and the public budgets, as informal carers may not be able to find or stay in formal work, and may thus pay little or nothing in taxes and social contributions. Cost differences may also relate to differences in the quality and productivity of informal and formal care delivery.

Some countries combine a *de facto* emphasis on informal care with a legacy of traditional institutional care, in the form of old people's nursing homes. Still, most of these countries are transforming their nursing care models from institutional to community-based care and home care as part of a movement to de-institutionalise long-term care.

3.3.2. Informal care

In most European countries, a large part of LTC for older people is provided by informal care-givers²². Even in countries with a well-developed supply of formal LTC, using narrow definitions of informal carers, the number of informal care-givers is estimated to be at least twice as big as the formal care workforce.

Over 90% of people providing informal care on a regular basis have a family relationship to the people they care for. Informal carers are typically spouses, middle-aged daughters or daughters-in-law²³. The share of people providing some care is higher in northern Member States than in most southern ones. But in the south, informal care involves a larger share of heavy care with ADL, whereas help with IADL dominates informal care-giving in the north. When family carers only provide additional care, pressures may be lighter²⁴. Estimates suggest that the economic value of unpaid family care as a percentage of the overall cost of long-term care in EU Member States ranges from 50% to 90%²⁵.

Informal carers can be under considerable stress as they try to balance work and family duties, and most have received no training in caring for the elderly. Family care can entail substantial economic sacrifice, as informal carers may be forced to cut down their working time or leave paid employment altogether. Obligations to look after elderly relatives can cause poverty, not just while care is being provided, but also later, if care-givers are unable to build up sufficient pension rights.

In northern Europe, being an informal carer is not associated with a significant reduction in employment. This is because of good access to formal care support and policies enabling people to combine work and family responsibilities. In southern Europe, informal caring duties often mean cutting down on paid work, taking only part-time work, or early retirement. A similar pattern, though somewhat less pronounced, is found in some Member States in central Europe.

²² Triantafyllou J. et al, 2010, Informal care in LTC — European Overview Paper, INTERLINKS report.

²³ Hubert M. et al. (2009) Facts and Figures on Long-term Care: Europe and North America, European Centre for Social Welfare Policy and Research.

²⁴ Hubert M. et al., (2010) Informal carers: the backbone of long-term care, European Centre for Social Welfare Policy and Research.

²⁵ Triantafyllou et al., 2010.

3.3.3. *The public-private mix in the delivery and financing of formal care*

Member States use different combinations of financing and care providers. Long-term care can be organised as part of public health and social services financed by general taxation and provided by public sector workers, as in Denmark and Sweden, for instance. It may also be organised primarily via compulsory social insurance, as in Germany or Austria. Here, care services are provided mainly by non-profit organisations and financed by direct payments from the insurance authority or through cash allowances and vouchers for care recipients. Out-of-pocket private payments are more common for institutional care than for home care. For-profit providers have a minor role, though they exist in all Member States, and may play a significant role in the UK. About half of Member States regulate long-term care provision mainly at national level, and the rest share responsibility among central and lower-level authorities.

3.3.4. *In-kind services versus vouchers or cash benefits*

Cash-for-care benefits support individual choice regarding care received, while in-kind services may facilitate public authority control over the price/quality ratio. Cash-for-care benefits are particularly prevalent in a number of Member States. Some countries provide both in-kind services and cash-for-care benefits.

3.3.5. *Use of undeclared care and immigrant carers*

The underdevelopment of formal long-term care services in southern Member States has given rise to the practice of families employing immigrants — including some without legal status — as undeclared live-in carers for their ageing relatives. In Italy, migrant live-in carers are estimated to account for about three-quarters of all home-carers²⁶. Such practices are also increasingly common in some central European countries (e.g. AT and DE²⁷), though on a smaller scale.

Migrants also make up an increasing proportion of formal-care workers in Member States with extensive services, especially where staff shortages have encouraged them to develop policies to attract migrants in a controlled way. Big differences in pay and working conditions among Member States influence the inflow of mainly female migrant workers.

4. RELATIVE STRENGTHS AND LIMITATIONS OF DIFFERENT DELIVERY MODELS

In a stylised appraisal of the relative strengths and limitations of present approaches to social protection²⁸ against the risks of developing a need for long-term care in old age, a number of points stand out. The following review of the range of current policy mixes focuses on the ways in which informal and formal care are financed, organised and combined²⁹.

4.1. Leaving it to families to provide informal care for their ageing kin

Traditionally, societies have relied on the moral commitment and willingness of families to provide support for their older relatives, if they develop functional and mental limitations.

²⁶ Lamura, G. et al., (2008), 'Les travailleurs immigrés dans le secteur de l'aide aux personnes âgées: l'exemple de l'Italie'.

²⁷ Jandl, M., Hollomey, C. and Stepien, A. (2007), Migration and Irregular Work in Austria — Results of a Delphi-Study, International Migration Papers 90, International Centre for Migration Policy Development, Geneva: ILO.

²⁸ The stylised approach simplifies actual policy mixes to bring out essential differences. For an overview of country-linked policy-mix typologies see Kraus M. et al (2010), ANCIEN, A Typology of Long-Term Care Systems in Europe and Colombo et al.: Help Wanted, OECD 2011.

²⁹ Outcomes of different policy mixes are also affected by cultural (societal and individual) differences.

This is the main approach only in a minority of Member States. But in all Member States, informal care plays a substantial role in care provision for older people.

Key advantages of this approach include the seemingly low costs to public budgets; and care is likely to be provided by closely related and (generally) trustworthy carers, so is likely to be well-intended. Moreover, the public sector does not have to organise the financing, monitoring or delivery of such care.

Drawbacks: the near absence of direct public expenditure does not mean that family care is free. It comes at significant cost to families (i.e. primarily women as spouses, daughters or daughters-in-law) in terms of the working time of the carer, alternative employment income foregone and reduced accrual of social protection entitlements. There may also be out-of-pocket payments for care tools and assistive devices.

The principle that every family is expected to care for its own family members also implies that there is no sharing of the burden/cost of care across families. In this approach, there is no pooling of the long-term care risk. Those with relatives in need of care do not receive any public support. Those with ageing relatives that can manage without LTC do not share in the societal LTC burden.

The rights of older people in need of LTC will therefore depend on the ability and willingness of their families to provide them with care. There are few, if any, means to influence the quality and appropriateness of care that untrained informal carers provide. Neither the quality nor the sufficiency of informal care can be guaranteed. Neglect and even abuse may occur for lack of family resources to provide care, or as an unintended consequence when family carers are exposed to the physical and mental stress of being alone with care duties and to the social hardship this may involve.

For society, family care involves opportunity costs as carers reduce their labour force participation and contribute less to GDP. In addition, the physical and mental stress and social hardship that informal care-giving can induce may hamper the future health status and material well-being of the care-givers themselves. The rather limited possibilities for improving productivity means that informal care delivery remains highly labour-intensive.

In short, when fully analysed, this approach has serious deficiencies in terms of equity, opportunity costs and efficiency.

4.2. Getting families and households to pay out of pocket for their informal care needs

A variation on this model involves the family hiring someone from outside the family to provide informal care, possibly even taking on the role of live-in carer.

Key advantages: There is no public involvement in financing and organising long-term care. This can be seen as a solution to care needs if families are unable to provide care themselves, or if formal services are unavailable or unaffordable. Family members need not miss out on employment opportunities. On the contrary, they are likely to have paid employment to pay for the live-in carers.

However, as this approach tends to involve undeclared work — and by illegal immigrants — there are indirect costs in taxes foregone. While the hired carers may prefer this work to the alternatives open to them, their services are affordable because they are clearly underpaid and do not earn entitlements to social protection. In some Member States where live-in migrant carers deliver a substantial part of LTC provision policy makers have sought to mitigate these problems by legalising and formalising such arrangements. As above, the downsides are that

the quality of care cannot be guaranteed, and prospects of better productivity and quality are very limited.

4.3. Providing support to family carers

Another option is for the authorities to organise support for informal care. This may entail economic support, through a contract involving a cash allowance for care performed, or crediting of social protection entitlement, as well as training and care leave. It can also involve offering protection in legislation or collective agreements to help reconcile informal care duties with formal employment for family carers³⁰.

Key advantages are that the willingness and ability of family members to provide informal care is harnessed at relatively limited costs to public budgets, while some social protection pooling of the LTC risk is secured. There is some quality assurance and some monitoring that needs are in fact met. Training and care leave takes significant pressure off carers, which may have positive effects on the quality of care provided by the family. The likelihood of the primary carer leaving her employment may be reduced, especially if some formal respite care is available when necessary³¹.

The *drawbacks* are less of a concern than in the other variants relying on informal care. But the cost to families can still be considerable and there is only limited risk pooling for LTC needs. Unless support covers home adaptations and support for assistive devices, productivity improvements are still likely to be limited.

4.4. Replacing informal with formal care in various models of LTC financing & delivery

4.4.1. Publicly financed public provision

The greatest involvement of the public sector is found in those Member States where LTC is financed from general tax revenue, organised as a public service and delivered by trained public sector workers to those who need care. This is then an individual right (e.g. DK and SE). In those countries, most LTC services take the form of home help and home care, while nursing care is reserved for people suffering from severe mental and physical limitations.

Key advantages include: a solid financing base with full pooling of LTC risks across the population; maintenance of a larger formal workforce contributing to GDP; jobs with upgrading opportunities for lower-skilled workers; well-trained professional carers; and alleviation of the burden on families, so that people with dependent elderly relatives can continue full-time employment. The rights of those needing care are far better protected. Quality can be fully monitored and there are opportunities for growth in productivity, including through re-engineering and capital substitution³². Taking care into the formal sector unlocks it from the constraints of families and makes the cost of delivering long-term care far more visible and amenable to public policies.

Drawbacks are that it tends to involve far higher public spending on long-term care (though not necessarily much higher societal cost) and that public authorities assume the bulk of the responsibility of social protection against long-term care risks in old age. Confronted with constrained choices between various spending items addressing the different needs of

³⁰ Dublin Foundation study.

³¹ Family carers may acquire knowledge, skills and competences through their caring activities, which employers and unemployment services could take into account if they are recognised, even though they have been acquired in an informal way.

³² Re-engineering involves changing the way social protection against the LTC risk is organised, e.g. through a greater emphasis on prevention and empowering for self-sufficiency. Capital substitution entails replacing and amplifying human labour by productivity-enhancing technology.

different categories of citizens, policy makers face the difficult task of securing affordable quality care while offering decent pay and working conditions to publicly employed professional carers. Obviously, the supply and quality of care (and protection against the risks of becoming dependent) may fall short of needs and expectations. Public budget constraints can have an immediate negative impact on the amount and quality of care provided. Moreover, the lack of a direct link between the financing of care and entitlements can weaken the sustainability of systems and the ability of older people who need long-term care to enforce their rights to definite amounts of care of appropriate quality.

4.4.2. *Social-insurance funded care, delivered by private non-profit or for-profit providers*

In this variant, non-profit NGOs such as welfare associations and faith-affiliated social service organisations deliver the bulk of formal care. For-profit providers may also have a role, but in most Member States, this is rather limited and primarily concerns residential or nursing home care. Services may be paid directly by a social insurance body or may be payable with vouchers or care allowances provided to care recipients.

Advantages: Generally, this approach can lessen the burden on families, as is the case in countries with public provision, though in some Member States, it coexists with an emphasis on informal care, for which it may also provide some financing. Where social insurance is mandatory, it provides broad risk-pooling and a rather solid financing base. Expenditure is covered by earmarked social security taxes and is therefore less open-ended than in systems with financing from general revenue. Entitlements tend to be easier to enforce as they are backed by contributions and may entail clear definitions of the amount and type of care to be provided to people with certain diagnoses of dependency. An environment with more types of care providers can allow more consumer choice and may result in competition, with a positive impact on quality and cost. It may also make long-term care a more attractive field of employment, as professional carers can build careers with various types of employers.

Drawbacks: Contributions are levied on a somewhat narrower tax base than general revenue and will have to be raised as needs increase. Reimbursements, care allowances and vouchers may not cover the total price of care, thus requiring some out-of-pocket payments by recipients or their families. The separation between financing and care-providing bodies makes quality control more complicated, but may generate incentives to productivity drives. Preventive measures, such as home adaptations and access to day-care facilities may not be (fully) covered. Access to rehabilitation may not be covered or fully reimbursed.

4.5. **In sum**

Current approaches to social protection against long-term care risks differ widely in terms of *risk pooling* and *equity in access*. Policies also differ markedly in their capacity to optimise the *quality and efficiency* of care delivery. Approaches with a heavy emphasis on family care are at a particular disadvantage in relation to these key dimensions of care provision. Given future challenges these disadvantages are set to become major deficiencies.

In many Member States, public expenditure is at present only the tip of the iceberg when it comes to calculating the societal cost of caring for frail older people in Europe. Expanding formal services, leading to higher public expenditure, will result in hitherto hidden costs becoming visible, with social protection to cover long-term care being developed to share the risks of disability in old age more equitably. Importantly, it will not be possible to ensure equality of access to long-term care, guarantee its quality or develop productivity unless most of the current informal care is lifted into the formal sector.

5. POLICY OPTIONS FOR ADDRESSING FUTURE LTC CHALLENGES

5.1. The overall challenge in LTC

Over the next five decades, the shrinking of the population of working age will tend to limit economic growth and make it more difficult to recruit formal carers. Changes in living and family arrangements, a rise in female labour force participation rates and higher retirement ages will reduce the reservoir of informal carers. At the same time, the threefold increase in the number of those in the age groups most likely to need long-term care is likely to lead to very substantial growth in demand for such care. In short, the challenge is to find ways to contain the growth in demand for long-term care while improving the capacity to provide more, better care with fewer human resources and less funding.

5.2. The challenge for public budgets

The Ageing Report 2012, which examines the challenge in terms of its impact on public spending, expects that the steep rise in the number of people aged 80+ will generate a substantial increase in needs for long-term care, raising pressure to expand care provision. The effect of ageing itself is expected to result in at least a doubling of public spending on LTC for the EU27, i.e. from 1.8% to 3.6% of GDP in the period 2010-2060 (as shown by the so-called ‘base case scenario’).

It is therefore important to find ways to limit the growth in public spending, while avoiding a rapidly widening gap between the need for care and the supply available.

5.3. Policy responses needed to tackle the challenges

National policy makers are seeing the future challenge for long-term care as that of ‘closing the gap’ between growing care needs and stagnant to shrinking resources. The key questions are finding policy mixes that can enable Member States to close that gap. Important contributions towards doing so could conceivably come from:

- 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*

The first element in a coherent strategy concentrates on possibilities for delivering more, better care with fewer resources in terms of manpower and money. The others focus on containing the growth in needs for long-term care, through measures to prevent morbidities or to slow their disabling course, while enabling elderly people to manage without care, or with far less care than today, despite functional limitations.

The *productivity* of care provision can be raised through better organisation, financial incentives, quality control and re-engineering including through capital substitution. Current change and innovations suggest that productivity growth will be far greater than assumed in standard labour economics. Systematic productivity drives will be limited to formal long-term care and it will therefore be important to replace informal by formal care. But support for family carers, through ICT and assistive devices, for instance, can also help raise both the productivity and quality of informal care.

Active and healthy ageing and a determined emphasis on *prevention and rehabilitation* can reduce the incidence of frailty, postpone its onset and reverse or mitigate the course of frailty, functional limitations and disability. People who are fit when they become old and seek to remain physically and mentally active not only have a better chance of avoiding or postponing frailties, they are often also better at managing functional decline when it occurs.

General prevention and health promotion schemes for all ages, with special awareness programmes for people in their 50s to very old people hampered by functional limitations, can be built into social protection. Avoiding premature erosion of physical and mental fitness and damage inflicted through mal-medication and accidents such as falls would bring large benefits, both in cost savings and quality of life. It will be important for prevention policies to target some of the main diseases/physical conditions that cause dependency. Another priority would be to promote early detection of emerging limitations and frailties, and to offer mitigating measures, including assistive aids. A wide range of preventive measures and policies have been demonstrated to be clinically effective. Encouraging senior citizens to participate in physically and mentally stimulating activities in various settings, such as universities, language schools, sport centres, volunteering organisations and day care centres, can halt the course of decline and help maintain and sharpen faculties³³.

A fall leading to a broken hip or a spell of serious illness can send an otherwise fit older person into rapid decline, requiring extensive care. But *cost-effective rehabilitation* has proved to be possible even in late stages of life. Obviously, rehabilitation is most effective if provided immediately after an incident, before serious frailties set in. Several Member States have included rehabilitation in their long-term care approaches as a cost-effective tool, although this is not yet standard practice.

Physical and mental restrictions in older people need not be perceived as ill health and a threat to their *ability to lead independent lives* as long as sufficient resources are available to compensate for the deficits. It will be crucial to make the necessary social investments in age-friendly adaptations of older people's private homes and in new assistive devices, including those that allow for self-monitoring, self-care and self-management. This is about empowering and enabling older people with functional limitations to manage a higher degree of self-sufficiency. ICT can facilitate social interaction with family and friends and allow for emotional support, even when people are largely bound to their homes and relatives do not live nearby. Public procurement can be used to secure assistive devices at affordable prices. Public policies can also encourage older people and their relatives to pay out-of-pocket for assistive devices to help older people look after themselves day-to-day. The aim would be to enable and empower older people with functional limitations to get by with much less long-term care than today, so that they can retain autonomy with choice and dignity despite the physical and mental effects of ageing.

Well-known concepts such as 'ageing in place', 'continuity in care', 'care integration' 'self-care' and 'smart homes' would be part of strategies that can successfully begin to tackle future challenges in long-term care. Social experimentation followed by dissemination and scaling up of successful approaches have for some time formed part of long-term care strategy development in Member States such as DK, NL, SE and the UK. Ageing in place, independent living and rehabilitation can be achieved through age-friendly environments, assistive technology and appropriate provision of home help and home care.

For some countries with well-developed formal provision, focusing on prevention, productivity and independent living will seem a logical extension of present efforts. Others will have to make substantial changes. If risks are to be effectively shared and individual needs guaranteed, genuine social protection programmes covering long-term care will have to be developed. This will involve shifting care from the informal to the formal sector to develop the productivity and quality of care delivery systematically. It will entail making visible the hitherto hidden privatised cost of long-term care. But it will also offer the prospect of

³³ Susann Rohwedder and Robert J. Willis, Mental Retirement, Journal of Economic Perspectives—Volume 24, Number 1—Winter 2010, pp. 119–138.

substantial GDP growth and higher employment rates. This way, Member States can benefit in major ways from formalising and modernising their LTC provision.

Key questions for further investigation would be:

- To what extent can prevention and rehabilitation affect the incidence and course of frailty and disability in old age?
- To what extent can systematic productivity drives in care delivery, including thorough capital substitution and service innovation, bring possibilities for delivering more and better care with less manpower?
- How much potential is there for raising the capacity of frail older people to manage independent living through age-friendly adaptations, smart technologies and assistive devices?
- Would a combination of these complementary approaches, which require determined social investments over a long period, be sufficient to bridge the gap between the need for long-term care and the supply?

Obviously, these questions cannot be fully answered in this paper. But a review of some good practices in Member States can give an insight into the potential of a social investment approach to the long-term care challenge.

6. GOOD PRACTICES IN MEMBER STATES APPLYING SOCIAL INVESTMENT APPROACHES TO LTC

Key elements of the necessary strategy are already emerging in several Member States. This chapter summarises some good practices³⁴ in *preventive* approaches to healthy and active ageing, successful *rehabilitation*, efforts to improve the *capacity for independent living*, *support for informal carers* and the *use of ICT* in drives for *higher productivity*. Practices reviewed also include measures to create more *age-friendly environments*, including support for *home adaptations*, and efforts to *raise quality* in both formal and informal care provision.

6.1. Comprehensive national approaches

In **Sweden**, policies have begun to combine the complementary strategies of (1) productivity drives, (2) health-promoting and preventive measures and (3) investments in home adaptations, ICT and assistive devices to enable older people to continue living independently even after developing functional limitations. National policies are increasingly oriented towards using combinations of efforts in these three areas to bridge the gap between care needs and provision, which would otherwise grow larger over the next 30 years. It is estimated that systematic efforts of this sort over a long period can enable Swedish municipalities to continue to meet demand for long-term care.

In **Denmark**, where long-term care is provided by local government, the municipality of Fredericia³⁵ realised that the age profile of its population in 15 years' time would make it very difficult to meet long-term care needs through existing approaches. It decided to embark on a new strategy to encourage and enable elderly people to live independently for as long as possible. Experiences with a so-called 'rehabilitation for everyday life' approach demonstrate that with teams of physiotherapists and ergonomists, it is possible to bring many older people from needing care on a regular basis to basic self-sufficiency and autonomy. Through combining preventive measures of active and healthy ageing, greater productivity in care

³⁴ Please consult the Annex for further details.

³⁵ See: <http://www.fredericia.dk/Borger/Sider/default.aspx>.

delivery can be achieved. While raising the ability of frail elderly to manage independently, Fredericia has documented the possibility of raising the overall quality of protection against LTC risks. In addition, job satisfaction for formal care staff can be improved at lower costs, with fewer staff. Some of these innovative approaches are becoming part of overall policy approaches in areas of the UK and Germany.

6.2. Prevention

A preventive approach is preferable to acute and reactive care, not only in financial terms but also regarding the individual's health status. Encouraging older people to remain independent in their home and community, while staying socially active, can bring significant savings in the short, medium and longer term. Prevention should be regarded as an investment, as also exemplified by the 'Re-ablement' approach discussed in the Annex. Integrated care based on collaboration within health care services and among social, health and community care providers results in better outcomes for older people, while addressing resource efficiency and sustainability. This is illustrated by the LinkAge Plus programme cited in the Annex.

Health promotion and prevention also involve quality assurance in different aspects of care. Studies have shown that 17% of older people use at least one inappropriate medication and that almost 60% of older out-patients take medications that are suboptimal or lacking an indication³⁶. Adverse drug reactions or events (ADRs or ADEs) include falls with or without fractures and more general geriatric syndromes (e.g. cognitive impairment, urinary incontinence, etc.).

6.3. Rehabilitation

Although not yet common practice, rehabilitation at an early stage, properly used, has proved to be cost-effective in long-term care and highly beneficial for patients. Research³⁷ has identified general success factors for rehabilitation programmes. In-patient geriatric care should be combined with out-patient geriatric follow-up, based on early recognition of patient needs. Frailer participants generally benefit from individualised interventions, while group interventions are successful for the less severely disabled³⁸. An effective rehabilitation programme must start with a multidimensional geriatric assessment in which problems are identified and recommendations are drawn up. Monitoring should ensure that recommendations are properly implemented.

Successful innovative practices have been developed for strokes, traumatic brain injury and hip fractures. In most cases, respiratory rehabilitation and cognitive rehabilitation can now be implemented. In some Member States, rehabilitation is clearly identified as a specific service (e.g. Germany, see the Annex), whereas in others (e.g. England, Denmark, Sweden and the Netherlands) it is an integrated part of comprehensive programmes of health care and health promotion.

6.4. Productivity and capacity gains from innovation, including through use of ICT

The use of ICT (information and communication technologies) to support carers and increase the productivity of care delivery is spreading in Member States and gradually moving from the experimental stage to being scaled-up, thus innovating and improving the way care is organised and delivered and the way home environments are adapted^{39,40}.

³⁶ <http://www.dh.gov.uk/health/2012/03/new-medicines-service/>.

³⁷ Stuck AE, Siu AL, Wieland GD, Adams J, Rubenstein LZ (1993) Comprehensive geriatric assessment: a meta-analysis of controlled trials. *Lancet* 342, 1032-1036.

³⁸ Cohen HJ, et al (2002) A controlled trial of inpatient and outpatient geriatric evaluation and management. *N Engl J Med* 346, 905-912.

³⁹ See: <http://is.jrc.ec.europa.eu/pages/EAP/eInclusion/carers.html>.

Social and ICT innovations enable new ways of organising society around active ageing and independent living for older people, as shown by the CARICT project for all of Europe (see Annex) and by examples from Scotland, England and Italy. These new approaches have all brought higher productivity and substantial savings while raising the quality of services as well as the quality of life of older people with LTC needs and their carers.

6.5. Quality assurance

Quality assurance in LTC remains a major challenge in a context of workforce shortages, the complexity of delivery and the difficulty of monitoring. However, some Member States have already made major efforts to improve quality, combating elder abuse and promoting the professionalisation of long-term care delivery. In the field of prevention of elderly abuse, the Dutch policy (see Annex) stands out as particularly innovative and thorough. The implementation of the recent Borloo Plan in France, which covers various aspects of the organisation and delivery of LTC, stands out as a key initiative to tackle a multitude of weaknesses in provision by launching a comprehensive national approach.

This brief review of innovative approaches to providing long-term care emerging in Member States illustrates the potential returns from pursuing innovation-driven social investment strategies and their potential in efforts to avert a crisis in unmet needs as the number of old people grows.

7. CONTRIBUTIONS FROM EUROPE⁴¹

The EU can offer Member States significant support in their efforts to tackle present and future challenges in LTC. The diversity of systems is a major opportunity for mutual learning, for which the EU can act as a facilitator. A number of policy departments are already involved in these matters and involved in facilitating the exchange of experience among Member States and stakeholders.

7.1. Prevention

Healthy ageing and independent living have been promoted in Member States as part of the European Year 2012 for Active Ageing and Solidarity between Generations. Upon joint suggestion from the Social Protection Committee (SPC) and the Employment Committee (EMCO) the Council on 6 December 2012 adopted Guiding Principles for Active Ageing, which highlight the following policies as key routes to autonomy and independent living in old age: Health promotion and disease prevention; Adapted housing and services; Accessible and affordable transport; Age-friendly environments and goods and services; Maximising autonomy in long-term care.

The Active Ageing Index (AAI)⁴² is a new monitoring tool developed by the European Centre Vienna in collaboration with the United Nations Economic Committee for Europe (UNECE)

⁴⁰ JRC (2013) *Can technology -based services support long-term care challenges in home care? Analysis of Evidence from Social Innovation Good Practices across the EU: CARICT Project Summary Report*. Authors: Carretero, S.; Stewart, J.; Centeno, C.; Barbabella, F.; Schmidt, A.; Lamontagne-Godwin, F. and Lamura, G. JRC Scientific and Technical Reports Series, EUR 25 695 EN, at: <http://ipts.jrc.ec.europa.eu/publications/pub.cfm?id=5899>.

⁴¹ This is only a brief summary. A fuller inventory of European initiatives of relevance is given in here: www.ec.europa.eu/social/BlobServlet?docId=8710&langId=en.

⁴² See: http://europa.eu/ey2012/ey2012_main.jsp?catId=975&langId=en&mode=initDetail&initiativeId=186&initLangId=en.

and the European Commission's DG Employment, Social Affairs and Inclusion. The index measures the performance of countries in four domains that together determine active ageing potential: (1) employment of older workers; (2) social activity and participation of older people; (3) independent and autonomous living of older persons; and (4) an environment that enables active ageing. The index aims to help shape future research and policy agendas and influence how existing large-scale data-sets are developed to address the impact of population ageing by following the policy discourse on active ageing and solidarity between generations.

Taken together, these policies, already developing in Member States, to some extent with comprehensive commitments to social protection against LTC risks in old age, are a promising social investment approach to containing the growth in LTC needs while raising the ability of older people to live independently. Importantly, EU policies can underpin the further roll-out of such policy efforts at national level. There has been collaboration on LTC issues at EU level over the last decade, notably in the Economic Policy Committee (EPC) and the Social Protection Committee (SPC).

7.2. Productivity and capacity gains from innovation including through use of ICT

ALIAS (AAL Joint Programme⁴³) has developed a mobile robot system that interacts with elderly users and provides assistance in daily life, promoting healthy ageing and independent living.

Public procurement policies and new European instruments for *long-term investment* can help establish the environment for large-scale European production of innovative assistive devices at affordable prices.

DG CNECT has for decades followed technology developments that can help tackle LTC challenges and promote independent living. DG CNECT is involved in work on moving from innovation to production and marketing, and scaling up and implementation in public policy. Together with DG SANCO, it leads the EIP pilot on healthy and active ageing. DG CNECT also co-funds projects such as the CARICT Project⁴⁴ at the EC JRC⁴⁵. This project documents the role played by ICTs in supporting informal carers. InCasa (ICT-PSP) has developed an ICT-based system to protect frail elderly persons and prolong the time they can live well in their own homes.

7.3. The European Innovation Partnership Pilot on Active and Healthy Ageing (EIP AHA)

This initiative aims to identify and remove barriers to innovation in health and long-term care delivery. By intensifying work between all stakeholders on innovative solutions, it seeks to increase our ability to scale up good practices and secure faster, large-scale deployment of new knowledge and technology. The overarching objective is to extend average healthy life years in the EU by 2 years by 2020. The partnership brings together various stakeholders from the demand and supply side and promotes the development of innovative products that

⁴³ The Ambient Assisted Living Joint Programme is a joint research and development funding programme. Its main objectives are to improve the living conditions of older people through the use and development of AAL solutions based on ICT technologies, and to strengthen the competitiveness of European industry in the AAL domain. For further information see: <http://www.aalforum.eu/page/aal-joint-programme>.

⁴⁴ See: <http://is.jrc.ec.europa.eu/pages/EAP/eInclusion/carers.html>.

⁴⁵ See: <http://is.jrc.ec.europa.eu/pages/EAP/eInclusion/carers.html>.

contribute to healthy ageing and facilitate the independent living of frail older people. The focus is on three areas: (1) prevention and health promotion, (2) health and social care for older people and (3) active ageing and independent living of older people supported by innovative products.

The ICT research programme has for decades supported technology developments to help tackle LTC challenges and promote independent living. The Competitiveness and Innovation Programme supports moving from innovation to production and marketing, and scaling up and implementation in public policy.

The Lifelong Learning Programme and its successor will help facilitate independent living by providing funding for the acquisition of ICT skills by seniors.

7.4. Quality assurance

In the **SPC**, Member States have compared approaches and exchanged experiences in relation to common objectives of guaranteeing access for all to adequate long-term care, while promoting quality and ensuring that adequate, high-quality long-term care remains affordable and sustainable. In the Joint Reports on Social Protection and Social Inclusion, Member States have reported on their approaches and recent progress towards the common objectives. Various peer-reviews on LTC in the Member States have provided opportunities for mutual learning. Member States have also sought to agree a set of common indicators for measuring advances towards the common objectives, and in 2008, the SPC adopted a special report on LTC. The SPC has also agreed a European Quality Framework for social services of general interest, including LTC services. Still, LTC has remained the least-developed of the social protection strands for which Member States have agreed common objectives. Recognising this, the SPC has recently stepped up its work on LTC issues in its subgroup on ageing issues in social protection SPC-WG-AGE. This group is currently considering a proposal for a major work programme on Innovative Approaches to LTC, which may run till the end of 2013.

Beyond the work of these committees, LTC issues have been covered in the *Research Programmes* of the EU and in work on the potential of ICT developments to care for older people and ensure independent living. The Ambient Assisted Living Joint Programme (AAL) aims to enhance the quality of life for older people. It funds projects using intelligent products and the provision of remote services, including care services, to improve the lives of older people at home, in the workplace and in society in general. It has a total budget of around EUR 700 million for the period 2008–13, sourced approximately 50–50 from public (national and EU) and private bodies.

As part of its servicing of the SPC and the Social OMC, **DG EMPL** has accumulated extensive experience on LTC. The unequal distribution of LTC needs has been connected to health inequalities and arduous working conditions. Long-term care has been considered in opportunities for job growth and the future supply of jobs for the low-skilled (see the April 2012 Employment Package⁴⁶). In future, the structural funds, including the ESF, are expected to give more attention to health and social inclusion issues, entailing wider possibilities to use the funds. New orientations in social policy towards social experimentation also offer prospects for innovation and improvement in long-term care provision.

DG JUST's Daphne programme deals with elder abuse. An act on accessibility is planned. The gender equality roadmap includes a proposal to develop a directive on leave for carers.

⁴⁶ "Towards a job rich recovery", COM(2012) 173 final, "Exploiting the employment potential of the personal and household services, SWD(2012) 95 final and "Action Plan for the EU Health Workforce", SWD(2012) 93 final.

The European Parliament has given particular attention to the LTC-related issue of Neglect and Abuse of Older People and allocated money to research and NGO projects on policies to prevent and tackle the danger of such violations of the basic rights of frail older people. The AGE Platform is one of the organisations that have examined the issues and come up with proposals for a preventive approach in the WeDO project.

The Lifelong Learning Programme and its successor will continue to provide funding for the acquisition of skills and competences by carers, whether formal or informal, as well as funding and tools for the recognition and validation of the skills acquired.

Important *OECD* work on financing and staffing issues in LTC and on quality assurance has been co-funded by the European Commission⁴⁷.

7.5. Public finances and research

DG ECFIN, cooperating with Member States in the *Ageing Working Group* of the EPC, has focused on how age-related increases in public expenditure for long-term care may affect the stability of public finances. A methodology has been developed for collecting a set of data and carrying out public expenditure projections for long-term care over several decades. Results have been reported every third year since 2006 in the Ageing Report. Furthermore, a working paper elaborating on the Ageing Report⁴⁸, focusing specifically on LTC, has just been published in the Economic Papers series⁴⁹.

The EU and Member States have also launched two specific Joint Programming Initiatives (JPIs) aimed at facilitating active and healthy ageing.

The More Years, Better Lives JPI addresses the challenges and opportunities of demographic change by developing multi-disciplinary knowledge as the basis for future research, innovation and policy making.

The Joint Programming on Neurodegenerative Disease Research (JPND) aims to increase coordinated investment among 13 participating countries in research aimed at finding causes, developing cures, and identifying appropriate ways to care for those with neurodegenerative diseases, in particular Alzheimer's. As such, it will improve understanding of these diseases and contribute to ensuring early identification and treatment thus reducing the social and economic impact for patients, families and health care systems.

Five thematic priorities for future research include: the origins of neurodegenerative disease; disease mechanisms and models; disease definitions and diagnosis; developing therapies, preventive strategies and interventions; and healthcare and social care. A joint transnational call was launched in December 2012 to address the evaluation of current health care policies, strategies and interventions for neurodegenerative diseases.

Additional funding for research on Alzheimer's is provided through the Innovative Medicines Initiative (IMI), a EUR 2 billion public-private partnership between the European Commission (FP7) and the European Federation of Pharmaceutical Industries and

⁴⁷ Colombo et. Al: Help Wanted, OECD 2011 and Colombo et al.: MONITORING AND IMPROVING QUALITY IN LONG-TERM CARE IN OECD COUNTRIES, forthcoming OECD 2013.

⁴⁸ See for instance: European Commission (DG ECFIN) — Economic Policy Committee (AWG), 2009, 'The 2009 Ageing Report: Economic and budgetary projections for the EU-27 Member States (2008-2060)', European Economy No 2/2009; European Commission (DG ECFIN) — Economic Policy Committee (AWG), 2012, 'The 2012 Ageing Report — Economic and budgetary projections for the 27 EU Member States (2010-2060)', European Economy No 2/2012.

⁴⁹ Lipszyc, B. et al. (2012), 'Long-term care: need, use and expenditure in the EU-27', Economic Papers 469, November 2012.

Associations (EFPIA). PharmaCog is a pan-European partnership of experts working on delivering high-quality Alzheimer's medication. The EMIF (European Medical Information Network) project has the goal of creating a common information framework of patient-level data that will link up and facilitate access to diverse medical and research data sources. One of the two areas addressed will be Alzheimer's, with a view to identifying the mechanisms that make some people more susceptible to the disease than others.

In the 6th and 7th Framework Programmes for Research *DG Research* has furthermore financed projects on health systems and LTC issues (e.g. ANCIEN, INTERLINKS, SHELTER, COURAGE, RightTime PlaceCare, REFINEMENT, MentDis_ICF65, etc.)⁵⁰. Projects centre on needs mapping, quality measurement, LTC delivery, role of financing systems in quality of care, development of best practices in long-term care organisation, and specific mental health issues in old age.

With the *Administrative Committee*, the European Commission is currently examining how Regulation 883⁵¹ on the coordination of social security systems can be revised to ensure better long-term care coverage for mobile persons. As social protection for long-term care needs is increasing in importance, the EU social security coordination rules have to take these developments into account. In 2012, the Commission launched an Impact Assessment to analyse the different options for revised rules on the coordination of long-term care benefits. The aim is to enhance the effectiveness of the coordination regime, improve the social security protection of vulnerable citizens wishing to live in another Member State and improve legal certainty for all stakeholders. The Commission plans to finalise the Impact Assessment at the end of 2013 and to launch the revision in 2014.

7.6. Possible follow-up actions

Together, these initiatives and activities by the European Commission and other EU institutions form a framework of potential support for developing social protection against LTC risks. There are thus substantial possibilities at European level to offer help to Member States in introducing innovative social investment-oriented approaches to providing long-term care.

Steering role of the SPC WG-AGE

The immediate task at EU level should be to make more connections between these initiatives and activity areas and raise synergies between them. Developing the SPC-WG-AGE into a focal point for LTC-related activities across Commission services could be a first step. With regular reporting to Member State delegates in the SPC-WG-AGE from initiatives run by different services, a functional inventory of LTC activities could emerge and the interaction between these improved.

A programme of work has been proposed with contributions from experts, Member States and Commission services leading to an SPC report on *Innovative approaches to social protection against LTC risks*. This would entail involvement of or contact with external partners whenever required.

The intention is to organise knowledge generation and best practices exchange to explore avenues to innovative, better social protection against LTC risks in view of the shared OMC goals. Ideally, such social protection would consist in a continuum of policies from early

⁵⁰ <http://www.ancien-longtermcare.eu/>; <http://interlinks.euro.centre.org/>; <http://lnx.starcomitaliaweb.eu/>; <http://www.healthcompetence.eu/converis/publicweb/project/3075;jsessionid=5360e5766198167404d643735d2b?show=Person>; <http://www.mentdiselderly.eu/>; <http://www.righttimeplacecare.eu/>.

⁵¹ Regulation (EC) No 883/2004 of the European Parliament and of the Council of 29 April 2004 on the coordination of social security systems

prevention to practical delivery of LTC, including the role of informal care. Thematic meetings would include a keynote address from an expert followed by presentations from one or two Member States with particular experience in the topic under investigation. Each of these would be used to introduce discussions and exchanges of expertise between delegates.

Among the key challenges for policy makers and stakeholders, this proposal for a work programme focuses on the following:

- *limiting the growth of LTC needs through prevention, rehabilitation, and increased capacity for independent living*
- *ensuring access to LTC services for those in need*
- *securing the quality of care*
- *maintaining the financial sustainability of LTC delivery*

In order to address these issues, a sequence of thematic working meetings is set out. For each topic covered the **gender dimension** should be clearly addressed.

Expected contribution from JRC-IPTS

A new JRC-IPTS project for 2013-14 aims to support DG EMPL in helping Member States to develop long-term care strategies promoting independent living of older adults — especially frail adults — through technology-based solutions. These solutions cover any kind of technology, including ICT, that empowers clients to manage despite frailties (self-sufficiency), better organises the provision of care or increases the productivity and quality of long-term care delivery (capital substitution for care manpower).

The **main objective** is to produce **guidelines** for the Member States to design long-term care strategies that can increase the capacity of older adults for independent living even when they become frail or contract multi-morbidities, with the use of technology and based on the case studies of good practices. This project will have the following specific objectives:

- To identify good practices in technology-based services and solutions for independent living at home for different needs of older adults, which have been successfully implemented.
- To analyse the good practices case by case in terms of **business case, business model, technology and organisational change, technical standards**, quality, scale and scale-up, and national and EU role for leadership and transfer.
- To produce a manual for policy makers on long-term care strategies for policies to increase the capacity of older adults for independent living with the use of technology.
- To identify the **role of the EU** in supporting Member States in implementing these technological services.

The specific added value of this project is helping decision-makers make an informed choice on this important topic, also from an economic and technical point of view and with regard to their own LTC delivery situation. The approach is definitely pragmatic and policy-oriented.

8. CONCLUSION

Europe needs to prepare for a tripling of the number of people in the age group where people are most likely to need long-term care. The current modes of responding to older people's long-term care needs are not sustainable in view of this major demographic shift. This paper has tried to highlight ways of responding to this challenge by reducing the need for long-term

care through prevention, rehabilitation and the creation of more age-friendly environments, and by developing more efficient ways of delivering care.

Social innovation and social investment are called for to develop new ways of closing the gap between long-term care needs and provision. This paper presents some promising examples of good practice from a range of Member States. The EU can play a major role in promoting innovation and social investment in this area, e.g. through the European Innovation Partnership on Active and Healthy Ageing and the Ambient Assisted Living Programme. It can mobilise the structural funds for boosting investment in age-friendly environments and more qualified professional carers.

Progress towards financially sustainable and socially adequate social protection against long-term care risks should continue to be monitored by the EU's Economic Policy and Social Protection Committees. A successful response to the challenges of rapid growth in the number of people aged 80 or over will be crucial for the dignity and quality of life of older people and their relatives. It will also be decisive for achieving a number of goals set in the context of the Europe 2020 Strategy — sound public finances in ageing societies, a high level of employment and the reduction of poverty.

It is therefore suggested that future work with Member States on LTC gives particular attention to *a social investment-oriented strategy*, which combines preventive measures of healthy and active ageing with productivity drives in care delivery and measures to increase the ability of older men and women to continue independent living even as they become frail or develop disabilities. Moreover, as increasing priority is given to the quality of public expenditure in EU policy guidance through Country-Specific Recommendations, these should also focus on improving the effectiveness of spending in this area, so adequate social protection against long-term care risks can be ensured even at the height of population ageing.

9. ANNEX

ACTION programme, Sweden

The ACTION programme (Assisting Carers using Telematics Interventions to meet Older people's Needs) is directed towards frail elderly persons who prefer to stay in their own homes, but are in need of support.

The ACTION service aims to strengthen the self-management capabilities of older people and their families. By means of ICT, family carers can get on-demand support from local service centres staffed with qualified professionals. The service primarily helps informal family carers. Also, networking and mutual exchange between service users is facilitated.

The service offers information, education and support to older people and their family carers via the following channels: access to an extensive information database about caring in daily life, services available and coping strategies; physical and cognitive training programmes and relaxation programmes; support and social company from other users via the integrated videophone system; support and advice from skilled care practitioners working in the call centre via the videophone system; individual and group computer education about how to use the ICT-based service; and comprehensive education, ongoing supervision and a certification programme for care practitioners working in an ACTION call centre. The main outcome of this service is a strong improvement in quality of life, reduction of isolation of the patient and the carers, the improvement of carers' preparedness, and therefore reduction in the need for home help services and delayed entry to nursing homes. The service is available to carers in several municipalities at a low price⁵².

Examples of prevention

Prevention through the '**Re-ablement**' approach in the UK⁵³ aims to maximise independence and quality of life in older age, while reducing costs, by aiming for the lowest appropriate level of care for individuals. Key principles are: encouraging individuals to do things for themselves, focusing on real practical outcomes within a specified timeframe, and continuous rather than one-off assessment to decide on individual care needs (Allen and Glasby, 2009). One retrospective longitudinal study demonstrated that an average of 60 per cent of people leaving homecare re-ablement no longer required a homecare package and, 24 months later, had still not required a homecare package.

Recently, the UK Department for Work and Pensions (DWP) put in place the **LinkAge Plus** programme, a scheme worth £10 million to improve the wellbeing of older people through promoting stronger partnership, better information and access to services, and putting older people at the forefront of service design and delivery. The LinkAge Plus principles can be replicated in a variety of contexts. Case studies demonstrate the potential of the approach and a business case has been developed⁵⁴, Taking falls as an example, on average, a fall resulting in a hip fracture costs around £20000 to the taxpayer. Evidence suggests that 15 weeks of balance classes reduces the likelihood of a participant falling by around 50 per cent. This illustrative example suggests that each £1 spent on balance classes by the taxpayer in

⁵² The Telecare Development Programme in Scotland 2006-2011, (2011) New Heaven Research.

⁵³ CSED Homecare Re-ablement Retrospective Longitudinal Study, Social Policy Research Unit (SPRU), University of York, Acton Shapiro research organisation.

⁵⁴ Watt P. and Blair I. (2009).

LinkAge Plus areas could yield health and social care savings of £1.35 plus benefits to the individual of around £0.90, from improved longevity and quality of life. Combining the costs and benefits of these services with a holistic approach to service delivery increases the net present value in the example to £2.65 per £1 invested.

Examples of health promotion

Based on existing successful experiences over the last decade, the **UK NHS** created in 2011 the **New Medicine Services**⁵⁵ (NMS, October 2011 until March 2013) to provide early support to long-term care patients, to avoid inappropriate medication and to maximise positive benefits to clients. At this stage, the evidence suggests that the NMS will deliver net benefits of at least £210 million (discounted) in the worst-case scenario (i.e. highest cost and lowest benefit) over a 10-year period. This is purely in cash terms, and does not consider the potential wider health and economic benefits of the NMS, or the notion that £1 saved from a health intervention is worth £2.40. In the central scenario, net benefits are estimated at £1.5 billion (discounted) over a 10-year period.

Examples of rehabilitation

Germany: CARITAS Bremen⁵⁶ has developed a rehabilitative approach as part of a programme that aims to support people moving back home, with the help of a ‘bridging person’ (‘Pflegeüberleitungsperson’). An innovative integrated care contract provides extended rehabilitative training, e.g. after acute hospital admission, to restore the mobility of older people and help them regain their autonomy and better cope with disabilities. The care unit is located in a care home, close to the department of physiotherapy, logo-therapy and occupational therapy. Following the programme, home care is available for up to seven days after discharge.

9.1. Productivity and capacity gains from innovation including through use of ICT

The **CARICT** project⁵⁷ has investigated the potential impact of information and communication technologies (ICTs) on formal and informal carers by looking at experiences from a number of Member States. It documents that ICTs can offer a cost-effective way to improve the quality of care provided to dependent older people. ICT installations providing monitoring and assistive aids may allow people in need of care to carry on with daily life activities without recourse to continued formal or informal care. Key factors for success are care coordination, personal support and social integration. The project also documents that the burden on care-givers can be substantially eased by offering access to training about health and care issues and care-giving to frail people.

⁵⁵ Introduction of the New Medicine Service (2011), Department of Health, Impact Assessment 5101, from <http://www.legislation.gov.uk>.

⁵⁶ Kumpers S, et al., (2010) Prevention and rehabilitation within long-term care across Europe, European Overview Paper.

⁵⁷ JRC (2013) *Can technology-based services support long-term care challenges in home care? Analysis of Evidence from Social Innovation Good Practices across the EU: CARICT Project Summary Report*. Authors: Carretero, S.; Stewart, J.; Centeno, C.; Barbabella, F.; Schmidt, A., Lamontagne- Godwin, F. and Lamura, G. JRC Scientific and Technical Reports Series, EUR 25 695 EN, at: <http://ipts.jrc.ec.europa.eu/publications/pub.cfm?id=5899>.

Telecare⁵⁸ in *Scotland* covers a range of devices and services that use technology to enable people to live with greater independence and safety in their own homes.

Examples include devices that trigger a response from a call centre, such as falls monitors and motion sensors. The responses may range from a phone call to the person, to alerting a local carer, neighbour or social service or alerting emergency services if appropriate. Other examples include devices that directly alert the person in the home to a particular hazard, such as a water-level monitor in a bath. IT developments are continually extending the range of devices and services available and, as a result, there is much scope for telecare to help older people with particular health and social care needs to remain in their own homes and optimise their independence and quality of life. Telecare (2006-2011) involved investments of £20 million, and is estimated to have saved approximately £80 million. Nearly half of these savings arose from avoiding care home admissions, while a similar figure arose from avoiding hospital in-patient stays. Clients and carers are referred to telecare by social services and/or by social workers or health professionals. The trial period achieved its aims to increase the use of telecare in mainstream service provision, improve assessment procedures for service users, train service providers' staff to incorporate telecare within care packages, ensure telecare services are delivered to recognised standards, and enhance innovation in telecare services. The Scottish government is now implementing a new telecare/telehealth initiative running from 2012-2015, called Delivering Assistive Living Lifestyles at Scale. This is intended as phase one of the wider Scottish Assisted Living Programme, which will utilise new technologies to support people with health and social care needs in their own homes.

*E-Care*⁵⁹ is as a pro-active case management service in operation since 2005 in *Italy*. The main objective of the E-Care project is to maintain independent living for the elderly in their own homes through customised care plans designed according to individual needs. E-care is a service organised as a 24-hour/7-days-a-week call centre that offers a wide range of services targeting physically frail or socially isolated elderly people aged 75+ living at home. The service provides older people with information on health, social care and social alarm services. A call centre functions as an intermediary between the frail elderly and social and health care providers. On a regular basis, an operator contacts the elderly to check their well-being, health conditions and needs. In the case of a problem, the operator and the patient decide together upon the action to take: intervention of a doctor or a volunteer organisation for social support. A unique electronic file records the basic individual history and a software platform allows for information-sharing and data transfer between care services. The E-Care platform has also been used to integrate services such as:

- Uffa che Afa' — an initiative set up to support vulnerable people during severe heat waves
- a tele-geriatrics service to support people who need care after hospital discharge
- a dementia-specific telecare service
- the 'Giuseppina' service, which provides free home delivery of food and medication as well as transport services to hospitals or social events

E-care has reduced the number of hospital admissions and led to a decrease of 50% in users accessing hospital services.

⁵⁸ See: <http://www.scotland.gov.uk/Publications/2010/10/27154413/6>.

⁵⁹ See: <http://www.ict-ageing.eu/index.php?s=E-care+Project>.

Quality assurance in LTC

Framework for the Prevention of Elder Abuse and Neglect⁶⁰: The Netherlands has implemented an ambitious and very comprehensive legal and institutional framework to fight elder abuse. The framework covers all stakeholders and most dimensions of the phenomenon through initiatives in 10 areas:

- 1: Prevention (guide for municipalities on preventing elder abuse, including a special initiative on financial exploitation)
- 2: Targeted information and awareness-raising for *older people* on elder abuse
- 3: Screening of *paid care staff*, including via mandatory certificates of conduct (VOG)
- 4: Toolkit on *volunteers* and elder abuse (awareness raising and guidelines for conduct)
- 5: *Reporting* elder abuse to authorities (mandatory for abuse by professionals, mandatory protocolling of abuse in home environments, specific guidelines)
- 6: E-learning, *training* and education of care staff (in collaboration with trade unions etc.)
- 7: Elder-abuse *hotlines* (established in centres for reporting of domestic violence etc.)
- 8: Aid and *support for victims* following a report of neglect or abuse
- 9: Support for victims of disruptions in informal care
- 10: Approach to perpetrators (principles for handling abuse cases: a serious offence requiring a legal approach entailing intensified monitoring of reported elder abusers; moreover, if professional care staff commit elder abuse, the IGZ Assessment Framework stipulates that the care institution must suspend the offender and that a report of criminal activities should be filed with the public prosecution service, where appropriate.

⁶⁰

See: <http://www.preventelderabuse.eu/european/Multimedia/Get/186>.



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Social Investment Package

COMMISSION STAFF WORKING DOCUMENT

3rd Biennial Report on Social Services of General Interest

Accompanying the document

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Towards Social Investment for Growth and Cohesion – including implementing the
European Social Fund 2014-2020**

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1. INTRODUCTION

Investing in high-quality, affordable and efficient social services is needed today more than ever. This report, which is part of the Social investment Package, will help public authorities and stakeholders to understand and implement the revised EU rules on social services and thus to invest in the sector in a safer way, in compliance with the EU legal framework.

At the same time, by applying EU rules on State aid and public procurement in a correct way, as shown in the report, public authorities will be able to reap the benefits in terms of transparency, efficiency and responsiveness to social purposes that these rules offer: they will thus maximise the return of the resources that they are investing in social services.

Social services of general interest at the heart of the EU policies

In 2006, for the first time, the European Commission described in a Communication¹ what constitute Social Services of General Interest (SSGI). It identified two broad types of services, namely:

- statutory and complementary social security schemes covering the main risks of life; and
- services provided directly to the person, such as social assistance services, employment and training services, childcare, social housing or long-term care for the elderly and for people with disabilities.

In 2007,² the Commission refined its analysis of SSGI and highlighted a certain number of objectives that social services pursue — such as responding to vital human needs, contributing to non-discrimination and creating equal opportunities. The Commission also highlighted the principles of organisation which are common to these services — such as solidarity, proximity, comprehensiveness, personalisation and an asymmetric relationship between user and provider.

Both documents show that social services play a prevention and social cohesion role in European societies. They not only help people to live in dignity and enjoy their fundamental rights, but also to fulfil their potential and to take part in society.

In recent years, moreover, the social services sector has shown its potential for creating jobs. The Commission highlighted this in its first and second *Biennial Reports on social services of general interest* published in July 2008³ and October 2010⁴ and in the Employment Package adopted in April 2012.⁵ More recently, the EU Employment and Social Situation Quarterly

¹ *Implementing the Community Lisbon programme: Social services of general interest in the European Union*, COM(2006) 177 of 26 April 2006.

² See the Commission Communication *Services of general interest, including social services of general interest: a new European commitment*, COM(2007) 725 final of 20 November 2007.

³ SEC(2008) 2179 of 2 July 2008.

⁴ SEC(2010) 1284 of 22 October 2010.

⁵ See in particular the Communication *Towards a job-rich recovery*, COM(2012) 173 final of 18 April 2012, p.6.

Review of December 2012⁶ has indicated that the share of employment in the ‘white jobs’ sector⁷ grew from 8,4% to 10,1% between 1995 and 2011 and that this was among the very few sectors recording a net job creation between 2008 and 2011, when employment dramatically declined in the EU.⁸

Social services are therefore essential for fostering inclusive growth: economically, expenditure on these services enhances human capital and thus is a form of investment, a **social investment** with mid- to long-term return to individuals, society and the economy as a whole.

This is why the Annual Growth Survey 2013,⁹ when calling for additional efforts to promote social inclusion and to tackle poverty, asks the Member States to ensure ‘*broad access to affordable and high-quality services such as social and health services, childcare, housing and energy supply*’.

The contribution social services can make to the Europe 2020 Strategy¹⁰ has also been expressed in Country Specific Recommendations adopted as part of the 2011 and 2012 ‘European Semesters’. These recommendations were addressed to 18 Member States and covered a variety of social services (childcare, long-term care, family support services, public employment services, training and life-long learning). They encouraged the Member States to increase the provision of these services, to make them more effective and more efficient, to improve their quality and to ensure they are widely available and affordable.

Moreover, ‘*enhancing access to affordable, sustainable and high-quality services, including healthcare and social services of general interest*’ is one of the ‘key actions’ for the European Social Fund (ESF) — according to the *Common Strategic Framework* drawn up by the Commission¹¹ to help Member States plan for the next structural fund programming period.

In recent years the Commission has also been working to improve the quality of social services — for example by financing local authorities’ and stakeholders’ initiatives¹² and by playing an active part in the work of the Social Protection Committee (SPC), which led to the adoption in October 2010 of the *voluntary European Quality Framework for Social Services*.¹³

⁶ See: <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1776&furtherNews=yes>

⁷ The ‘white jobs’ sector combines health and social services.

⁸ According to the EU Employment and Social Situation Quarterly Review of December 2012, while 4.4 million jobs were lost in the age group 15-64 between 2008 and 2011, more than 1.4 million jobs were created in the health and social service sector. The growth was continuous from 2008 to 2011.

⁹ COM(2012) 750 final of 28 November 2011.

¹⁰ See the Commission Communication *Europe 2020 — A strategy for smart, sustainable and inclusive growth*, COM(2010) 2020 of 3 March 2010.

¹¹ SWD(2012) final of 14 March 2012.

¹² These initiatives are set out in Chapter 2, section 2.4, of the *Second Biennial Report*, quoted in footnote 4 above.

¹³ SPC/2010/10/8 final, 6.10.2010. The *voluntary European Quality Framework for Social Services* was set out in the *Second Biennial Report* quoted in footnote 4 above.

The on-going debate on the application of EU rules to SSGI

The political recognition of the social services' role in the European social model, the encouragement for Member States to deliver high-quality, affordable and effective social services and, more specifically, the promotion of social services' quality do not exhaust the debate about social services at EU level. Another issue has dominated the scene for at least the last decade: the **application of EU rules on State aid, internal market and public procurement to social services**.

This issue has been so controversial as to be considered a '*persistent irritant in the European public debate*', as Mario Monti put it in his report on the Single Market in May 2010.¹⁴ Indeed, in recent years, several public authorities and civil society organisations representing service users and providers have claimed that the EU rules create unnecessary difficulties. They claim these rules make it harder to organise and finance the services; that they lead to the liberalisation, privatisation and deregulation of the sector, and to the provision of poor-quality services.

For instance, in 2010, the Informal Network of Social Service Providers (INSSP) published a report of a seminar about the impact of EU legislation on social services which states that the EU rules '*in many cases impact in a negative manner on the sector of social NGOs, part of the social economy, and specifically on the quality of social services*'. INSSP admits however that the negative effects '*are not only due to the EU rules but also linked to the way national and local authorities implement these rules. Some authorities misunderstand the rules or implement them in a way that is more restrictive than necessary ...*'.¹⁵

The Commission has argued against these views, explaining that EU rules already take into account the specific characteristics of social services and that, if the public authorities apply them correctly, these rules can help them organise and finance high-quality cost-effective social services in a transparent manner. Member States have an ample choice of modes of organisations of the services in line with their traditions and cultural backgrounds.¹⁶

The Commission has also published two sets of 'frequently-asked questions' (FAQs) offering guidance on State aid and public procurement.¹⁷ It has set up an interactive information service (IIS),¹⁸ answering questions from citizens, public authorities, service users, service providers and other stakeholders. In December 2010, the FAQ documents were updated and put together as a *Guide to the application of the European Union rules on state aid, public*

¹⁴ *A new strategy for the single market at the service of Europe's economy and society - report to the President of the European Commission José Manuel Barroso*, by Mario Monti, 9 May 2010.

¹⁵ For an overview of the doubts and misunderstandings about the application of EU rules to SSGI, see section 4.3 of the first *Biennial Report*, quoted in footnote 3 above.

¹⁶ For an overview of the Commission's policy approach to this issue see Chapter 3, section 3.1, of the *Second Biennial Report*, quoted in footnote 4 above.

¹⁷ SEC(2007) 1514 and SEC(2007) 1516 of 20 November 2007. The FAQs were presented in section 4.4 of the first *Biennial Report* quoted in footnote 3 above

¹⁸ This service is accessible on the following webpage:
http://ec.europa.eu/services_general_interest/registration/form_en.htm.

*procurement and the internal market to services of general economic interest, and in particular to social services of general interest.*¹⁹

To promote dialogue with all the stakeholders and to help them understand the EU rules, the Commission (together with the rotating Presidencies of the Council) organised three SSGI Forums. These were held in Lisbon in September 2007, in Paris in October 2008 and in Brussels in October 2010. The Commission has also regularly discussed this issue with the Member States, in particular within the SPC.²⁰

In the same logic, in 2006,²¹ the Commission undertook to establish ‘*a monitoring and dialogue procedure in the form of biennial reports*’ in order to ‘*improve the reciprocal knowledge of operators and the European Commission of questions concerning the application of Community rules to the development of social services and to deepen the exchange of information between the operators and the European institutions*’

The contents of the third Biennial Report

This third *Biennial Report* gives an account of the two most significant developments of the last two years at EU level affecting SSGI. First, on 20 December 2011 the Commission published a comprehensive package which includes new State aid rules applying to services of general economic interest (SGEI — see Chapter 2 of this report) and proposals for new Directives on public procurement and concessions (see Chapter 3). The package was introduced by the Commission Communication ‘*A Quality Framework for Services of General Interest in Europe*’,²² which sets out in a comprehensive manner the Commission’s approach to services of general interest (SGI).

The new set of rules both on State aid and public procurement²³ represents real progress, as it brings the clarification and simplification that Member States and civil society organisations have been wishing for. Moreover, these new rules are more flexible, predictable and proportionate. Being simpler to comply with, the new rules will make life much easier for public authorities in the Member States and, at the same time, benefit citizens by making the organisation and financing of social services more efficient and effective.

Second, following the adoption of the new State aid rules, the Commission updated in February 2013 the 2010 Guide on EU rules applying to SGEI and in particular to SSGI.²⁴

¹⁹ SEC(2010) 1545 final of 7 December 2010. The 2010 Guide was presented in section 3.6 of the *Second Biennial Report*, quoted in footnote 4 above. See also the Commission press release on the 2010 Guide (IP/11/106 issued on 28 January 2011).

²⁰ See section 3.4 of the *Second Biennial Report* quoted in footnote 4 above.

²¹ See the Commission Communication *Implementing the Community Lisbon programme: Social services of general interest in the European Union* quoted in footnote 1 above.

²² COM(2011) 900 of 20 December 2011.

²³ The proposals of the Commission for a directive on public procurement (COM(2011) 896 final of 20.12.2011) and on concessions (COM(2011) 897 final of 20.12.2011) are still under negotiation. See: http://ec.europa.eu/internal_market/publicprocurement/modernising_rules/reform_proposals_en.htm.

²⁴ Quoted in footnote 19 above.

The 2013 Guide,²⁵ like its predecessor and the FAQs²⁶, is a Staff Working Document prepared by the Commission's services to help public authorities better understand and apply EU rules. Like the 2010 Guide, it covers the three main sets of EU rules applying to SGEI: State aid, public procurement and internal market rules. It takes the form of very concrete questions, inspired by the questions that the Commission officials receive through the Interactive Information Service²⁷ and through their regular contacts with public authorities, service users and providers and other civil society representatives and stakeholders, and simple, yet comprehensive, answers. These answers, while they do not bind the European Commission as an institution, express the position of the services responsible for monitoring the application of EU rules and having a thorough knowledge of such rules.

The 2013 update does not only reflect the changes on State aid rules but also takes into consideration the work done by the SPC informal working group on the application of EU rules to SSGI,²⁸ which was mandated by the Council to conduct an *analysis of the new guide prepared by the Commission services on State aid, internal market and public procurement rules*.²⁹

This updated guide (see Chapter 4) is a further step in providing clarity and guidance to public authorities and service providers, helping them implement the new rules in a correct way and thus making it easier, more cost-effective and safer to **invest in social services**.

The first two *Biennial Reports*³⁰ had a section presenting data on employment trends in the sector and on social services expenditure. These data are now presented in the EU Employment and Social Situation Quarterly Review of December 2012.³¹

²⁵ SWD(2013) 53.

²⁶ Quoted in footnote 17 above.

²⁷ See footnote 18 above.

²⁸ The analysis of the SPC informal working group was carried out through a questionnaire circulated in 2012 to the Member States *via* the SPC. The result of the analysis will be published in the report of the informal working group to the SPC, due in September 2013.

²⁹ See Council Conclusions *Social Services of General interest: at the heart of the European Social Model*, 8 December 2010, 17566/10 SOC 828.

³⁰ Quoted on footnotes 3 and 4 above.

³¹ See footnote 6 above.

2. THE NEW STATE AID PACKAGE FOR SERVICES OF GENERAL ECONOMIC INTEREST³²

As stated by Commission Vice-President Joaquín Almunia, on the day of its adoption, the **SGEI package** ‘provides Member States with a simpler, clearer and more flexible framework for supporting the delivery of high-quality public services to citizens which have become even more necessary in these crisis times’.

Often known as the ‘**Almunia package**’, it consists of four instruments. They apply whenever public authorities in the Member States (be they national, regional or local authorities) finance SGEI. They therefore apply to social services of an economic nature.

The contents of the Almunia package

- the Communication³³ clarifies the basic concepts of State aid which are relevant for SGEI;
- the revised Decision³⁴ defines the conditions under which financing for a SGEI (the ‘public service compensation’) is compatible with the internal market and does not need to be notified to the Commission;
- the revised Framework³⁵ sets out the rules the Commission will use when assessing SGEI compensation that is not exempted from notification by the Decision. All such compensation has to be notified to the Commission that will then decide on its compatibility with the internal market;
- the SGEI *de minimis* Regulation³⁶ provides that SGEI compensation which amounts to less than €500 000 per undertaking³⁷ over three fiscal years does not fall under State aid scrutiny.

³² On the new package see: Nicola Pesaresi, Adinda Sinnaeve, Valérie Guigue-Koeppen, Joachim Wiemann, Madalina Radulescu, *The New State Aid Rules for Services of General Economic Interest*, and, by the same authors, *The New State Aid Rules for Services of General Economic Interest (SGEI): the Commission Decision and Framework of 20 December 2011 and The SGEI Communication*, published in Competition Policy Newsletter 2012/1 (http://ec.europa.eu/competition/publications/cpn/cpn_2012_1_en.html).

These articles have been a source of inspiration for the redaction of this chapter of the 3rd Biennial Report.

³³ Communication from the Commission on the application of the European Union State aid rules to compensation granted for the provision of services of general economic interest, OJ C 8, 11.01.2012, p. 4.

³⁴ Commission Decision of 20 December on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest, OJ L 7, 11.01.2012, p. 3.

³⁵ European Union framework for State aid in the form of public service compensation (2011), OJ C 8, 11.01.2012, p. 15.

³⁶ Commission Regulation on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest, OJ L 114, 26.4.2012, p. 8.

³⁷ ‘**Undertaking**’ refers to the economic unit. Therefore different legal entities forming part of a group would constitute one undertaking.

The Almunia package is the updated version of a package adopted by the Commission in 2005 in the aftermath of the Altmark judgment.

The Altmark judgment

In the Altmark judgment³⁸ the Court of Justice held that the public service compensation granted by public authorities to the providers of services of general interest does not constitute State aid if four cumulative criteria are met:

- first, the service provider must actually have public service obligations to discharge, and the obligations must be clearly defined;
- second, the parameters on the basis of which the compensation is calculated must be established in advance in an objective and transparent manner;
- third, the compensation cannot exceed what is necessary to cover all or part of the costs incurred in the discharge of the public service obligations, taking into account the relevant receipts and a reasonable profit;
- finally, where the service provider is not chosen pursuant to a public procurement procedure which would allow for the selection of the bidder capable of providing those services at the least cost to the community, the level of compensation needed must be determined on the basis of an analysis of the costs which a typical service provider, if well run and adequately equipped, would have incurred.

In other words, the Court ruled that financing an SGEI is not State aid if it is meant to fund a well-identified task (the first criterion), if the financing conditions have been defined in a clear and transparent way, ensuring that it does not exceed the costs of the SGEI (the second and third criteria), and if the service is provided in a cost-efficient manner (the fourth criterion).

If these four criteria are not met, the financing of a social service of economic nature (*e.g.* a grant given by a local authority to an NGO providing long-term care to the elderly) constitutes State aid. Such State aid could be illegal and the NGO that received the grant would have to repay it to the public authority.

Following the Altmark judgment, the Commission, aware that in many instances the financing of SGEI in the Member States might not have met the four Altmark criteria and might thus constitute State aid, decided to provide legal certainty and to clarify the conditions under which State aid for the provision of SGEI would be compatible with the internal market. It therefore published **in 2005 a first package, known as the ‘Monti-Kroes’ or ‘Altmark’ package**, consisting of a Decision³⁹ and a Framework.⁴⁰

³⁸ Case C-280/00 Altmark [2003] ECR I-7747.

³⁹ Commission Decision of 28 November 2005 on the application of Article 86(2) of the EC Treaty to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest, OJ L 312, 29.11.2005, p. 67.

⁴⁰ Community Framework for State aid in the form of public service compensation, OJ C 397, 29.11.2005.

The experience gained with the application of the 2005 package led to its revision in 2011, following a wide-ranging consultation of stakeholders.⁴¹

The four instruments of the new package are explained in greater detail below. They are **particularly relevant for social services as these services are highly dependent on public financing.**⁴² Social service providers regularly receive grants and other forms of financing that might not fulfil the four Altmark criteria and could thus constitute potentially illegal State aid.

Complying with the State aid package is therefore a must to ensure the legality of such public financing and thus secure the investment needed for social services.

2.1. The Communication: clarifying the basic concepts to make it easier to apply State aid rules

The Communication is a novel feature of the 2011 package as for the first time a document in the package clarifies the basic concepts, a need expressed on various occasions by the public authorities in the Member States and by the service providers.

On the basis of the rulings of the Court and of the Commission's decision practice, the Communication explains some general concepts, such as 'undertaking' and 'economic activity', 'State resources' and 'effect on trade' relevant for the application of State Aid rules.

The Communication underlines that, just because a service is financed in a particular way, or the service provider is a non-profit organisation, this does not mean that the financing of the service by a public authority falls outside State aid control: **State aid rules apply to the financing of social services of an economic nature even if the body providing the service has a non-profit status.**

When clarifying the **distinction between economic and non-economic activities**, the Commission presents an overview of Court rulings on social security schemes. It refers to the criteria used by the Court to determine whether a social security scheme is solidarity-based and therefore does not involve an economic activity and does not fall within the scope of State aid rules. The Court considers, for example, whether membership of the scheme is compulsory or voluntary, whether it has a social purpose, whether the benefits depend on the contributions made or are proportionate to the earnings of the person insured, and whether there is State supervision of the scheme.

The Commission also provides **guidance on meeting the four Altmark criteria** —which, if complied with, means that the financing of a social service does not count as State aid.

In relation to the first Altmark criterion (the **existence of a service of general economic interest**), the Communication explains that:

- SGEI are services with special characteristics that distinguish them from other economic activities;

⁴¹ On the review process that led to the adoption of the SGEI package currently in force, see: http://ec.europa.eu/competition/state_aid/legislation/sgei_archive_en.html.

⁴² On the weight of public expenditure in financing social services see section 2.2.1 of the first *Biennial Report* quoted in footnote 3.

- Member States have a wide margin of discretion in defining an SGEI and the Commission only checks for manifest error;
- a public service obligation cannot be imposed for an activity which already is or can be satisfactorily provided by the market ‘under conditions, such as price, objective quality characteristics, continuity and access to the service, consistent with the public interest, as defined by the State’;
- a SGEI must be addressed to citizens or be in the interest of society as a whole.

The third element of clarification in the above list is very useful for social services. Take, for instance, services that are provided satisfactorily under normal market conditions to address a demand from the general public. Normally, there would be no room for a public service obligation. However, if the same type of service is provided for vulnerable or disadvantaged people, the public authorities may have specific requirements regarding its price, quality, continuity and accessibility that differ from the conditions under which the service is provided by the market. Such requirements would, in particular, aim at making sure the service responds to the needs of the vulnerable or disadvantaged people and that they can afford it. **Therefore, as the requirements of the public authority are not met by the market, the public authority may consider the provision of the service to these people as being of ‘general interest’.**⁴³

A typical case

Home cleaning services are normally provided by the market to the general public. At the same time, they can be part of the delivery of social policies, such as long-term care programmes, aiming to ensure that the elderly or people with disabilities continue living within their communities and not in institutions. In these circumstances, home cleaning services for the elderly or for people with disabilities could acquire a ‘general interest’ character that they do not have when they are provided to the rest of the population. A public authority could therefore define such home cleaning services as SGEI and could organise and finance their provision so as to ensure that these users have access to these services (for example, by providing them free of charge or at a price lower than the market price).

The Communication provides guidance on ‘the’ essential tool for the definition of a SGEI — the **act of entrustment** that defines the obligations of the service provider. It reminds the reader that this act may take a variety of forms, depending on the legislation in force in the Member State concerned, and that it must include a certain number of elements (clear identification of the obligations of the service provider; parameters for calculating, controlling and reviewing the compensation; arrangements for recovering any overcompensation).

The Communication also provides clarification on the **compensation parameters**, which have to be established in advance in an objective and transparent manner. No specific formula is required, but it must be clear from the outset how the compensation will be calculated.

In order to avoid **overcompensation**, the amount of the public service compensation must be limited to what is necessary to cover the costs incurred in discharging the public service obligation, taking into account receipts and a reasonable profit. The reasonable profit should be taken to mean the rate of return on capital required by a typical company considering whether or not to provide the service, taking into account the risk level.

⁴³ It is worth recalling that not all SSGI are addressed to vulnerable or disadvantaged people.

The Communication also deals with the **interplay between State aid and public procurement rules** when it comes to meeting the fourth Altmark criterion. This section offers guidance on the degree to which the use of the different public procurement procedures and the different award criteria foreseen in the Public Procurement Directives can ensure that the service is provided ‘at the least cost to the community’ and therefore satisfy the first leg of the fourth Altmark criterion.

The guidance can be summarised as follows:

- the **open procedure** is sufficient to ensure compliance with the first leg of the fourth Altmark criterion;
- the **restricted procedure** is in principle sufficient to do so;
- the **negotiated procedure with prior publication** and the competitive dialogue are sufficient only in rather exceptional cases;
- the **negotiated procedure without publication** is not sufficient.

As regards **award criteria**, the ‘**lowest price**’ criterion is generally sufficient. The criterion of the ‘**most economically advantageous tender**’ (**MEAT** - which can include criteria relating to the quality of the service as well as environmental and social criteria) is sufficient provided that the award criteria are closely related to the subject-matter of the service provided.

A typical case

A local authority which uses an open call for tender to select a provider of training services for the long-term unemployed can safely presume that the compensation it gives to this provider complies with the 4th Altmark criterion.

The Communication also provides guidance for situations where the provider is not selected through a public procurement procedure and therefore a comparison with a typical well-run provider is necessary to ensure the cost-effectiveness check that the fourth Altmark criterion requires.

2.2. The Decision: aid for social services does not need to be notified

The Decision sets out the conditions under which public service compensation (i.e. the financing of a service of general interest by a public authority) that constitutes State aid is compatible with the internal market and does not need to be notified to the Commission.

This is the component of the 2011 package which brings the most significant simplification for the providers of social services. Under the 2005 Decision, the only services exempted from prior notification regardless of the level of financing were social housing and hospitals.⁴⁴ The 2011 Decision in Article 2(1)(c) extends the scope of this exemption to all **services ‘meeting social needs as regards health and long term care, childcare, access to and**

⁴⁴ For all other services, including social services other than social housing, the 2005 Decision set a public service compensation threshold of €30 million per year. This threshold was complemented by a threshold of €100 million for the service provider’s average annual turnover before tax. Public financing which exceeded €30 million per year, or which was granted to a provider having a turnover higher than €100 million, had to be notified to the Commission. Such a large amount was considered likely to affect trade and competition to such an extent that a specific analysis by the Commission services was deemed to be necessary.

reintegration into the labour market, social housing and the care and social inclusion of vulnerable groups'.⁴⁵

For the remaining SGEI, the notification threshold of the Decision has been lowered from €30 million to €15 million of annual compensation per SGEI and the threshold for the turnover of the service provider has been eliminated.

This alleviates the administrative burden for the public authorities in the Member States: when they finance social services, they no longer have to go through the process of notifying the financing measures to the Commission. This is also good news for the social service providers as they too are spared the burden of following the notification process.

The exemption of notification for SSGI reflects the diversified and proportionate approach followed by the Commission in its reform of State aid rules:⁴⁶ the degree of the Commission's State aid scrutiny depends on the nature and scope of the service provided. In other words, the Commission recognises that the risks for competition are much greater for large-scale activities with a clear EU-wide dimension than for social services often organised at local level.

To achieve as much legal certainty as possible for public authorities and service providers, the exemption applies to an exhaustive list of social services. However, this list (see above) is very broad and explicitly covers the most important areas of social services such as health and long term care, childcare, services for the access to and reintegration into the labour market and social housing. Moreover, the terms '*care and social inclusion of vulnerable groups*' have a very broad meaning and allow the Member States the necessary flexibility to include different types of services intended for the social groups who most need them, in accordance with the variety of needs and preferences of users that may result from different geographical, social or cultural situations among the Member States.⁴⁷

⁴⁵ The 3rd SSGI Forum had recommended enlarging the number of SSGI benefiting from the exemption of notification (See *Summary Report of the 3rd Forum on Social services of General Interest (SSGI)*, coordinated by Manuel Paolillo and Stéphane Rodrigues, p. 191).

⁴⁶ See the Commission Communication *Reform of the EU State aid rules on Services of General Economic Interest*, COM(2011) 146 final of 23 March 2011.

⁴⁷ See Protocol No 26 to the Treaty on European Union and to the Treaty on the Functioning of the European Union.

The term *'care and social inclusion of vulnerable groups'* could encompass, for example:⁴⁸

- social integration services for people with disabilities;
- shelters and other services for the homeless;
- centres assisting women or children who are victims of violence;
- services to support over-indebted persons;
- social assistance to migrants;
- parenting support services for disadvantaged families;
- social services for the LGBT⁴⁹ community.

While the public authorities do not have to notify their financing of social services, they must nevertheless establish a clear and precise act of entrustment and ensure that the service provider does not receive any overcompensation. Indeed, the 2011 Decision confirms the **two main conditions for compatibility** set out in the 2005 Decision: **entrustment** and **absence of overcompensation**, verified by regular checks.

The **duration of the entrustment period** (the period during which the service is entrusted to a given provider by a decision of the public authority) has been limited to a **maximum of 10 years**, unless the provision of the service of general interest requires significant investment which needs to be amortised over a longer period. This may be the case for instance in the social housing sector.⁵⁰ This condition, which was not laid down in the 2005 Decision, is justified because the extent to which a particular compensation measure affects trade depends not only on the sector concerned and the average amount of compensation per year but also on the overall duration of the entrustment.

For instance, a fifteen-year entrustment with an annual public service compensation of €1 million is likely to affect competition and trade more than several consecutive shorter entrustments with the same annual compensation amount. This is because short consecutive entrustments give the public authority repeated opportunities to switch provider, in a context of competing service offerings.

The 2011 Decision introduces another novelty in relation to the act of entrustment: it must contain a **reference to the Decision** itself. This has been added to enhance transparency and compliance with the rules.

As in the 2005 Decision, the amount of **compensation** must not exceed the net costs, including a reasonable profit. Above this limit, the provider receives an 'overcompensation' which cannot be justified by the need to provide the SGEI.

⁴⁸ Insofar as these can be considered as economic activities.

⁴⁹ Lesbian, Gay, Bisexual, Transgender.

⁵⁰ See recital 12 of the Decision.

The Decision proposes **two methodologies to calculate the net cost**: (i) as the difference between the costs incurred in providing the SGEI⁵¹ and the revenue earned from it (i.e. the **methodology based on cost allocation**), or (ii) as the difference between the net cost for the providers of operating with the public service obligation and the net cost or profit of the same provider operating without the public service obligation (i.e. the **net avoided cost methodology**).

To calculate the **reasonable profit**, the Decision refers to the rate of return on capital that would be required by a provider considering whether or not to provide the service, taking into account the degree of risk. The Decision then provides a safe harbour: profit below the swap rate plus a liquidity premium of 100 basis points is considered to be reasonable in any event. Moreover, to discourage the use of *ex post* full compensation schemes, the 2011 Decision lays down that this safe harbour becomes a profit cap if the provision of the SGEI is not connected with a substantial commercial or contractual risk, in particular when the net cost incurred in providing the SGEI is essentially compensated *ex post* in full.

The change of indicator for the reasonable profit compared to the 2005 Decision reflects the shift from an accounting approach to an economic approach. It also matches the way public authorities go about deciding what budget to allocate to an SGEI. However, where it is not feasible to use the rate of return on capital, other profit indicators are allowed.

Finally, for **controlling the overcompensation**, the Decision takes a multi-annual rather than an annual approach, with checks carried out every three years. This had been a recommendation of the 3rd SSGI Forum.⁵²

A typical case

A public authority wishes to pay an NGO €45 million per year for a period of seven years to provide services for the homeless. Under the Decision, it can safely do so if it imposes on the NGO a clear legal obligation to provide specific services for the homeless. The document stating this obligation does not need to be called ‘act of entrustment’ but it has to include a reference to the Decision and has to clearly state the tasks the NGO has to perform, the parameters used to calculate the amount of compensation involved, the systems that will be put in place afterwards to control the compensation and ensure that there is no overcompensation and the arrangements set out to recover any overcompensation that might occur. Assuming the NGO has no revenue for providing the service, which is totally free for the beneficiaries, the amount of compensation can be calculated quite simply as the sum of the costs that the NGO will incur in providing the services requested by the regional authority.

A notification to the Commission is not needed insofar as this financing is in line with the 2011 Decision. Before the 2011 Decision, the Member State would have had to notify this financing to the Commission, as it exceeds the €30 million threshold laid down in the 2005 Decision.

⁵¹ If a service provider is providing not only an SGEI but also a purely commercial service, the costs incurred include an appropriate contribution to the costs common to the provision of both services.

⁵² See *Summary Report of the 3rd Forum on Social services of General Interest (SSGI)*, quoted in footnote 45 above, p. 192.

2.3. The Framework – when aid has to be notified

The Framework sets out the rules that the Commission will follow to assess aid to SGEI that is not exempted from notification by the Decision and that therefore the Commission has to analyse to decide on its compatibility with the internal market.

The compatibility conditions set by the Framework are more stringent than those laid down in the Decision as the Framework covers aid which *a priori* has a bigger impact on competition and trade. This is because the amount of aid is higher than €15 million and it does not concern hospitals or social services. This again illustrates the diversified and proportionate approach the Commission adopted in the 2011 package.

The table below highlights the main changes introduced in the 2011 Framework as compared to the 2005 Framework. Moreover the compatibility conditions underlined in the table below are required only in the 2011 Framework and not in the 2011 Decision: this is because of the higher degree of scrutiny in the Framework as compared to the Decision.

Framework 2005	Framework 2011
<p>Compatibility conditions:</p> <ul style="list-style-type: none"> • Genuine SGEI • Entrustment act • Overcompensation test (annual check) 	<p>Compatibility conditions:</p> <ul style="list-style-type: none"> • Genuine SGEI • Entrustment act • Duration of the entrustment period • <u>Public consultation</u> • <u>Compliance with the Transparency Directive</u> • <u>Compliance with EU public procurement rules</u> • <u>Absence of discrimination</u> • <u>Overcompensation test based on <i>ex ante</i> multi-annual approach, efficiency incentives and the ‘net avoided cost methodology’</u> • <u>Strengthened transparency</u> • <u>Possibly additional requirements for particularly distortive aid</u>

Given the focus on social services, this report will not provide a detailed description of these changes or of the more stringent compatibility conditions set out in the Framework: in line with its proportionate and diversified approach, the Commission decided that some of the provisions of the Framework should not apply to public service compensations that would normally be covered by the Decision but which failed to fulfil all the conditions of the Decision.⁵³

⁵³ See paragraph 61 of the Framework.

In such cases of **simplified assessment** the following compatibility conditions do not apply:

- the public consultation on the public service needs;
- the compliance with Union public procurement rules;
- the absence of discrimination;
- the compulsory use of the net avoided cost methodology;
- the inclusion of efficiency incentives in the compensation mechanism;
- the additional requirements for particularly distortive aid.

2.4. The SGEI *de minimis* Regulation: making it simpler to finance small amounts

Adopted in April 2012, the SGEI *de minimis* Regulation is a novelty introduced by the Almunia package. Under this new Regulation, which complements the general *de minimis* Regulation,⁵⁴ public service compensation amounting to less than €500 000 per undertaking⁵⁵ over three fiscal years is deemed not to constitute State aid. This threshold is higher than the one in the general *de minimis* Regulation,⁵⁶ based on the consideration that an SGEI provider incurs costs which are directly associated with its public service obligation under the entrustment act. The aid element in the compensation is therefore presumably much lower than the amount actually granted, and the Commission assumes that a €500 000 compensation does not affect trade in the internal market.

This new SGEI *de minimis* Regulation makes it considerably easier for local public authorities to comply with State aid rules when financing small social services.

The act of entrustment under the *de minimis* Regulation is simpler than under the 2011 Decision and Framework.⁵⁷ It does not have to contain all the information set out in the Decision and in the Framework: it just has to entrust the provider with a specific task and make clear that the financing is granted for this task.

Unless the Member State concerned has established a register of *de minimis* aid, the public authority has to inform the service provider in writing of the *de minimis* character of the aid, obtaining its confirmation that it is not getting any other financing that would make the total amount exceed the *de minimis* threshold.

⁵⁴ Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid, OJ L 379, 28.12.2006, p. 5.

⁵⁵ See clarification on ‘undertaking’ in footnote 37 above

⁵⁶ €200 000 over three fiscal years.

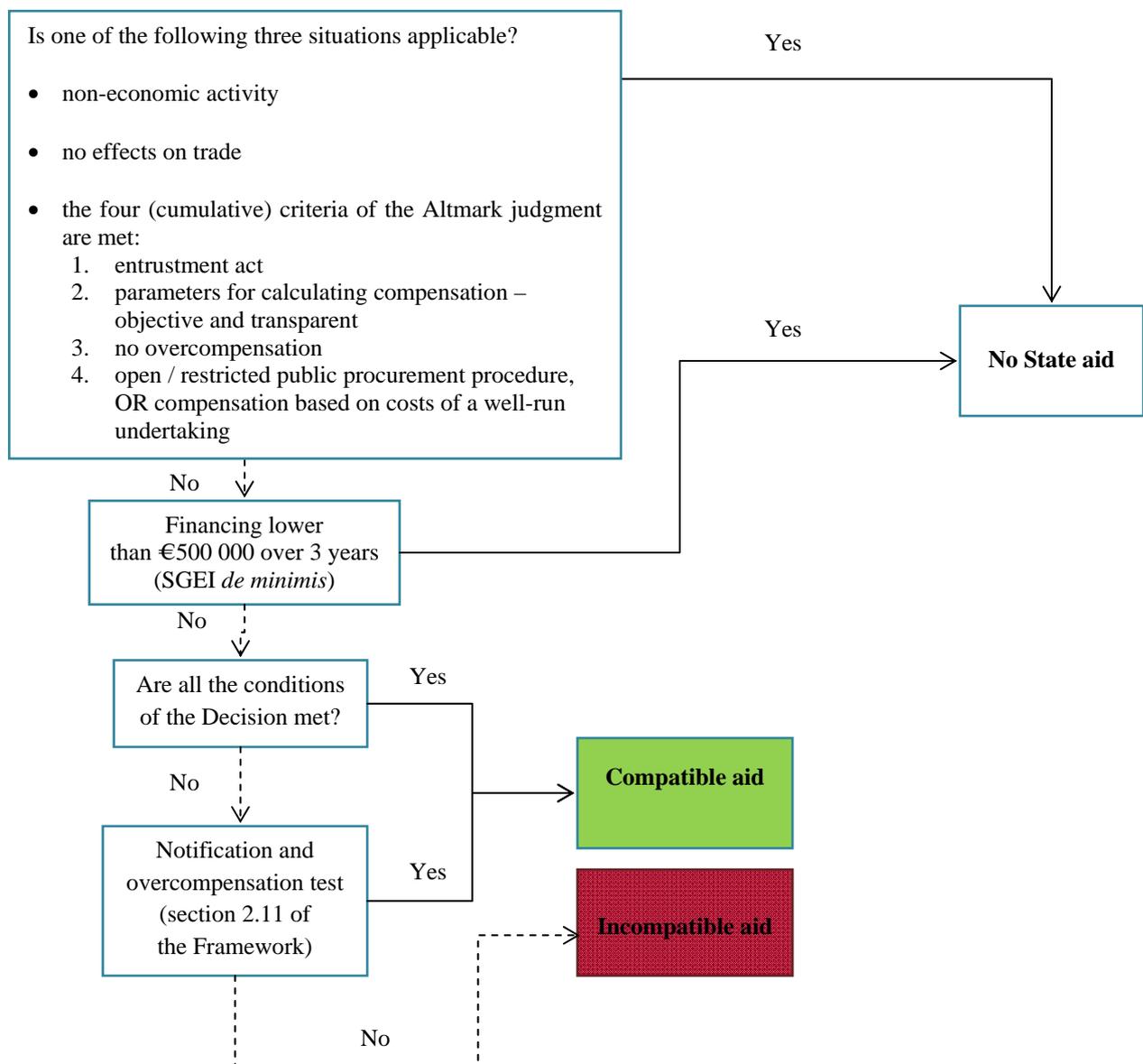
⁵⁷ See recital (6) of the Regulation.

A typical case

A municipality wishes to pay an NGO to provide parenting support services. The cost of these services over a period of three years is less than €500 000. All the local council has to do is clearly identify this service as a service of general economic interest and make sure that the beneficiary does not get any other financing covered by the SGEI *de minimis* Regulation.

If it does so, its financing will comply with EU State aid rules.

The graph below summarises the steps to be followed in the analysis of public financing to SSGI. It shows the conditions under which it is possible to finance social services in compliance with EU State aid rules.



Thanks to the differentiated and proportionate approach followed in the reform of State aid rules, the procedures for financing social services have been further simplified and clarified.

The Commission has taken in due consideration the fact that, in the present economic conditions, social services are particularly needed and require financial support from public authorities. At the current stage of development of the internal market, such financial support, even for large amounts, does not necessarily produce a great risk of distortion of competition.

Public authorities will thus fully reap the benefits that EU State aid rules can offer for the organisation and financing of high-quality, cost-effective social services: ensuring that public money is well used to fulfil clearly identified social policy objectives and is not diverted to cross-subsidise other activities.

The State aid rules analysed in this chapter deal with the definition of the level of financing that a social services provider will receive from the public authority responsible for organising that service. The service in question could be long-term care for the elderly, or for people with disabilities. It might be childcare, or social housing, or training people to help get them back to work.

However, when organising and financing social services, public authorities must not only identify the amount of the financing, but also address another type of questions: Who will provide the service: the public authority itself or an external provider? If an external provider, how will it be selected? It is in this context that public procurement rules may come into play.

All too often, public authorities assume that by complying with State aid rules they have ensured the legality of their financing arrangements, even without applying public procurement rules. In fact, the correct application of State aid rules does not exclude as such the need to comply with public procurement rules.

3. MODERNISING PUBLIC PROCUREMENT RULES

3.1. The rules currently in force: a light regime for social services

Public authorities in the Member States have to apply EU public procurement rules to social services when they decide to outsource their provision to an external provider against remuneration (i.e. in return for being paid). However, **it remains entirely up to them to decide whether to outsource the service or to provide it themselves, either directly or via an ‘in-house’ service provider.**⁵⁸

A typical case

A municipality is not obliged by EU rules to outsource the provision of childcare in its territory to private companies. It can have its own publicly-owned childcare centres and staff them with its own employees.

It can also create and finance an ‘in-house’ structure which will organise and manage the childcare centres.

Moreover, public authorities can outsource and finance the provision of social services in ways that do not entail signing a public contract: they can, in an open, transparent and non-discriminatory way, grant **licences or authorisations** to all service providers that meet the conditions for service provision it lays down beforehand.⁵⁹

It is also possible that a public authority is **merely financing** an initiative – for instance by an NGO - to provide a social service to the community.⁶⁰

The EU public procurement rules therefore apply only when a public authority has decided to outsource the provision of a service to an external provider – whether profit or non-profit – that the public authority pays for providing the service.⁶¹

The rules at present in force⁶² already take into account the specific characteristics of the social services’ sector: a public authority that decides to outsource a social service against

⁵⁸ With the term ‘in-house provision’, the Court refers to a situation where a public authority, or various public authorities jointly, provide a service themselves, albeit acting through a legally distinct entity which

- (i) the public authority/ies **controls/control in a way similar to its/their own departments**, and
- (ii) carries/y the **essential part of its activities with the controlling public authority/ies**.

In this case, the public authority/ies and the legally distinct entity are regarded as one and public procurement rules do not apply to their relation. See Q&A 199 of the 2013 Guide for further details on the concept of ‘in-house provider’.

⁵⁹ For further details on this alternative approach, see Q&A 216 of the 2013 Guide.

⁶⁰ On the notion of ‘mere financing’ see Q&A 218 of the 2013 Guide.

⁶¹ Q&A 218 of the 2013 Guide describes the criteria which can help to establish whether the relation between the public authority and the service provider implies an obligation to provide a service against remuneration and therefore triggers the application of EU public procurement rules.

remuneration and intends to conclude a **public service contract** has to comply only with a very limited number of rules laid down in **Directive 2004/18/EC**⁶³ and therefore enjoys **considerable latitude in terms of choice of procedures** compared to other sectors.

Public authorities nevertheless have to comply with the **Treaty principles of transparency, equal treatment and non-discrimination, mutual recognition and proportionality**.⁶⁴ This means, in particular, that the authority must:

- **adequately advertise** its intention to outsource the provision of the social service and to conclude a public service contract with an external provider; and
- **deal in a non-discriminatory and impartial way** with all the providers that have shown an interest in such a contract.⁶⁵

If it wants to outsource the provision of social services by granting a **concession**,⁶⁶ it will have to comply with the Treaty principles of transparency, equal treatment and non-discrimination, mutual recognition and proportionality.⁶⁷

Public authorities can also, at various stages of the public procurement procedures, introduce requirements concerning the quality, continuity and comprehensiveness of the service in question.⁶⁸

This shows that public procurement rules currently in force not only guarantee transparency in selecting the service provider and cost-effectiveness for the benefit of the service users and the tax payer, but also that they do so while ensuring the quality of the social services concerned.

A typical case

A regional authority intends to outsource the delivery of its long-term care services for the elderly. It intends to do so by signing a public service contract with an external provider, who it will pay for doing the work. The regional authority therefore has to draw up the ‘technical specifications’, clearly stating the object of the contract (i.e. the exact nature of the services to

⁶² See Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts, OJ L 134, 30.4.2004, p. 114.

⁶³ See **Article 21 of the Directive 2004/18/EC** which sets out that only the provisions of two articles of that Directive apply to **non-priority (Annex II B) services**, such as social services. These provisions require that **technical specifications** must be laid down at the start of the procurement process and that the **results of the award procedure must be published**. It is also worth recalling that the Directive applies only if the contract at stake exceeds the threshold for its application, i.e. €200 000.

⁶⁴ The Treaty principles already apply even if the Directive threshold is not exceeded as long as the contract has a cross-border interest (On the notion of cross-border interest, see Q&A 201 of the 2013 Guide).

⁶⁵ For more details on the obligations deriving from the principles of transparency and non-discrimination, see Q&A 202 of the 2013 Guide.

⁶⁶ On the distinction between a public service contract and a concession see Q&A 200 of the 2013 Guide.

⁶⁷ See footnote 65 above.

⁶⁸ See Q&A 204 of the 2013 Guide.

be provided, the level of quality that must be ensured and the level of qualification that the staff providing the service must have).

The regional authority can either define its requirements in a very detailed way or, if it wishes to avoid standardisation and promote innovative solutions, it can define performance or functional requirements that allow it to clearly identify its objective but leave a certain amount of flexibility as to how that objective is to be achieved. It can thus open up scope for innovative solutions.

The regional authority has to define the criteria it intends to use when choosing the provider. It does not necessarily have to accept the cheapest offer but can set 'award criteria' which combine the price with other criteria,⁶⁹ such as supplementary quality levels on top of the requirements laid down in the section of the technical specification describing the object of the contract. These supplementary quality requirements will help it select the winner from among all the candidates.

The duration of the contract, that can be longer than one year so as to ensure continuity, must also be stated.

Then, the regional authority has to make known its intentions to conclude a contract for the provision of long-term care services for the elderly, and has to publicise the document which spells out those intentions. It can do so, for instance, via the press or on its own website. The level of publicity will depend on the size of the contract.

Once it receives offers from potential providers, the regional authority can negotiate with them to further refine its requirements and to find out more about their offers.⁷⁰ In these negotiations, however, the regional authority will have to treat all the candidates in a fair and non-discriminatory way, without giving any advantage to one of them.

Once the regional authority has chosen one provider on the basis of the criteria set out in advance, it will then have to publish the information that the contract has been concluded with that provider.

The regional authority can also select more than one provider, so as to give the people living in that region the chance to choose the provider that suits them best.

3.2. The 2011 Commission proposal: simpler, clearer and more adapted public procurement rules.

The current EU legislation on public procurement, which is already very flexible, could be further improved thanks to the reform of public procurement rules that the Commission launched in December 2011.

Overcoming the distinction between priority and non-priority services in Directive 2004/18/EC, the Commission proposal for a new Public Procurement Directive⁷¹

⁶⁹ The Most Economically Advantageous Tender (MEAT) criterion already mentioned in section 2.1 above.

⁷⁰ National public procurement might however not allow for a negotiated procedure and impose instead an open procedure.

⁷¹ Quoted in footnote 23 above.

sets out a **specific, lighter and simpler regime for social services, more suited to their specific characteristics and to the need to ensure quality**. The proposed Directive justifies this approach by pointing out in recital (11) that social services contracts have a limited cross-border dimension and that the particular context in which these services are organised ‘*varies widely amongst Member States, due to different cultural traditions*’.⁷² The Commission argues that the Member States should enjoy a wide margin of discretion in the organisation of the choice of the service providers, given the importance of the cultural context and the sensitivity of social services.

The main components of the proposed regime are the following:

- a **threshold of €500 000**, higher than for other goods or services, below which EU public procurement rules will not apply.⁷³ Contracts below this threshold are presumed not to be of interest for providers based in other Member States unless there are concrete indications of the contrary.⁷⁴ This implies that, below this threshold, in the absence of cross-border interest, the Directive would not apply. Nor would the Treaty principles, such as the transparency requirement and the obligation to treat economic operators equally without discrimination. This clarification on cross-border interest for social services contracts had been sought *i.a.* by the Council in 2010.⁷⁵

This specific threshold reflects a proportionate approach as it **excludes the application of EU public procurement rules to the outsourcing of social services of a very low economic value**. It thus **simplifies life for public authorities that organise small social services**.

- **flexibility in the Member States’ choice of procedures as long as the Treaty principles of transparency and non-discrimination are complied with**. Member States remain free to determine the procedural rules applicable, while respecting the basic principles of transparency and equal treatment.⁷⁶

⁷² See the following extracts of Recital (11): ‘*Other categories of services continue by their very nature to have a limited cross-border dimension, namely what are known as **services to the person, such as certain social, health and educational services**. These services are provided within a **particular context** that varies widely amongst Member States, due to different cultural traditions. A specific regime should therefore be established for public contracts for these services, [...] Contracts for services to the person above this threshold should be subject to Union-wide transparency. Given the **importance of the cultural context and the sensitivity of these services**, Member States should be given **wide discretion** to organise the choice of the service providers in the way they consider most appropriate. The rules of this directive take account of that imperative, imposing only observance of **basic principles of transparency and equal treatment and making sure that contracting authorities are able to apply specific quality criteria for the choice of service providers** [...]’.*

⁷³ See Article 4(d) of the Directive which reads as follows: ‘*This Directive shall apply to procurements with a value exclusive of value-added tax (VAT) estimated to be equal to or greater than the following thresholds: [...] (d) **EUR 500 000** for public contracts for social and other specific services listed in Annex XVI*’.

⁷⁴ See Recital (11): ‘*Services to the person with values below this threshold will **typically not be of interest to providers from other Member States**, unless there are concrete indications to the contrary, such as Union financing for transborder projects*’.

⁷⁵ See Council Conclusions of 8 December 2010 quoted in footnote 29 above.

⁷⁶ See Article 76.1 (‘*Member States shall **put in place appropriate procedures** for the award of contracts subject to this Chapter, ensuring full compliance with the principles of transparency and equal treatment of economic operators [...]*’) and Article 75 (‘*1. Contracting authorities intending to award a public contract*

The new proposal spells out the obligations to ensure **transparency**: public authorities must publish a **contract notice** and a **contract award notice**. In other words, a public authority that intends to outsource a social service must, by means of a contract notice, adequately publicise its intention so that potential providers from other Member States can express their interest in this contract. In addition, the public authority must publish the notice of the award decision, once it is taken, to ensure that any aggrieved party can challenge this decision in the appropriate courts. As for the **principle of equal treatment**, the public authority must treat in a non-discriminatory manner all potential providers that have shown interest in the contract.

The new proposal enhances legal certainty as the obligations of the public authorities are now clearer.

- **increased attention to the specific characteristics of social services.**⁷⁷ As spelled out in Article 76, Member States are invited to define procedures which are suited to the specificities of social services and which ensure their quality, continuity, and accessibility. To facilitate the task of the public authorities in defining what a good-quality social service is, recital (11) adds a reference to the quality criteria set out in the voluntary European Quality Framework for Social Services adopted by the SPC in 2010.⁷⁸
- **the right for Member States to prohibit their public authorities from awarding social services solely on the basis of the price and to maintain only the possibility of awarding such services on the basis of criteria combining quality and price.**⁷⁹ Using the MEAT award criterion⁸⁰ - which at present is just an option - might become therefore compulsory in the Member States that choose to do so. This change in the rules follows the recommendation to promote the MEAT expressed *i.a.* at the 3rd SSGI Forum,⁸¹ by the Council⁸² and by the Informal Network of Social Service Providers.⁸³

for the services referred to in Article 74 shall make known their intention by means of a contract notice. 2. Contracting authorities that have awarded a public contract for the services referred to in Article 74 shall make known the results of the procurement procedure by means of a contract award notice. [...].')

⁷⁷ See Article 76 ('1. Member States shall put in place appropriate procedures for the award of contracts subject to this Chapter [...] allowing contracting authorities to take into account the specificities of the services in question. 2. Member States shall ensure that contracting authorities may take into account the need to ensure quality, continuity, accessibility, availability and comprehensiveness of the services, the specific needs of different categories of users, the involvement and empowerment of users and innovation [...]').

⁷⁸ The relevant extracts of Recital (ii) read as follows: 'The rules of this directive take account of that imperative, imposing only observance of basic principles of transparency and equal treatment and making sure that contracting authorities are able to apply specific quality criteria for the choice of service providers, such as the criteria set out in the voluntary European Quality Framework for Social Services of the European Union's Social Protection Committee'. The voluntary European Quality Framework for Social Services adopted by the SPC is quoted in footnote 13 above.

⁷⁹ See Article 76 *in fine*: 'Member States may also provide that the choice of the service provider shall not be made solely on the basis of the price for the provision of the service'.

⁸⁰ See section 2.1 above.

⁸¹ See *Summary Report of the 3rd Forum on Social services of General Interest (SSGI)*, quoted in footnote 45 above, p. 194.

⁸² See Council Conclusions quoted in footnote 29 above.

This – and the previous change - is meant to address an often heard criticism that public procurement procedures for social services lead to cheap and poor-quality services.

Recital (11) also reminds the reader that the Public Procurement Directive does not make it an **obligation to outsource social services**, that **alternatives to public procurement procedures** are possible⁸⁴ and that public procurement rules do not apply to ‘mere financing’.⁸⁵

Annex XVI of the proposal lists in a rather comprehensive way the services to which this specific, light regime would apply if they are outsourced by public authorities in the Member States:

- health and social services;
- administrative educational, healthcare and cultural services;
- compulsory social security services;
- benefit services;
- other community, social and personal services;
- services furnished by trade unions;
- religious services.⁸⁶

Further clarification comes also from the codification of the rulings of the European Court of Justice concerning the exceptions to the application of public procurement rules for **‘in-house provision’**⁸⁷ and for certain other **forms of cooperation among public authorities aimed at carrying out tasks in the public interest**.⁸⁸ This codification⁸⁹ does not specifically concern social services but is particularly interesting for them: indeed, in the social services sector, local public authorities might wish to cooperate in providing social services to achieve certain economies of scale or to complement each other’s offers. The codification will enhance legal certainty and facilitate such cooperation. This is again a positive answer to the invitation

⁸³ See Report quoted in the Introduction.

⁸⁴ The Council had recommended this clarification. See Council Conclusions quoted in footnote 29 above.

⁸⁵ See the following extracts of Recital (11): *‘Member States and/or public authorities remain free to provide these services themselves or to organise social services in a way that does not entail the conclusion of public contracts, for example through the mere financing of such services or by granting licences or authorisations to all economic operators meeting the conditions established beforehand by the contracting authority, without any limits or quotas, provided such a system ensures sufficient advertising and complies with the principles of transparency and non-discrimination’.*

⁸⁶ All these services are currently covered by Annex II B of the Directive 2004/18/EC.

⁸⁷ On the meaning of ‘in house provision’, see footnote 58 above.

⁸⁸ See the judgment in Case C-480/06 Commission v Germany [2009] ECR I-4747, often known as *Hambourg* case.

⁸⁹ See Article 11 of the proposal.

addressed by Mario Monti ‘to address the perceived areas of friction with the policy autonomy of national and local authorities’.⁹⁰

The legislative proposal on public procurement also provides for an increased number of possibilities to **take account of social considerations in procurement procedures**. Although this does not apply only to procurement of social services but also of other services as well as of goods and works, these features of the proposal are also worth pointing out in this report.

- First, the Commission proposes that, among the **criteria for the award of a contract**, public authorities should be able to specify **characteristics relating to the working conditions of persons participating directly in the process of production or supply of the good or service involved**.⁹¹ The working conditions may concern the **protection of health and favouring the social integration of disadvantaged persons or members of vulnerable groups**.⁹² Such award criteria should be applied in accordance with Directive 96/71/EC on the posting of workers.⁹³
- Second, it has also extended the **possibilities of reserving public contracts for certain types of actor in the social economy**, those committed to the social and professional integration of people with disabilities and of disadvantaged workers, such as the long-term unemployed.⁹⁴

The aim is to ensure that when public authorities buy the goods and services they need, they can **use procurement strategically** to promote employment and social inclusion. This approach is therefore fully in line with **Article 9 of the TFEU**, which calls on the Union, when defining and implementing its policies and activities, to ‘*take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection and the fight against exclusion*’. This is also consistent with the Europe 2020 Strategy and the attention it pays to inclusive growth. Since public authorities spend around 18% of the EU’s GDP on buying goods, works or services, they should be able not only to obtain them in a transparent and efficient way, but also to use that significant amount of funds as leverage for inclusive growth.

This goes hand in hand with the increased possibility of supporting other common societal goals such as the protection of the environment, higher resource and energy efficiency, combating climate change as well as promoting innovation.

On 20 December 2011 the Commission also adopted a proposal for a Directive of the European Parliament and of the Council on the **award of concession contracts**⁹⁵ which follows by and large, as far as social services are concerned, the same diversified and proportionate approach as the proposal on public procurement. As social services are often

⁹⁰ See report quoted in footnote 14 above.

⁹¹ See Article 66 and recital (41) of the proposal.

⁹² See recital (41) of the proposal.

⁹³ OJ L 18, 21.1.1997, p.1.

⁹⁴ See Article 17 of the proposal.

⁹⁵ Quoted in footnote 23 above.

outsourced through concessions, the proposal is very pertinent and has the merit of clarifying for the first time the rules which apply in this field.

The co-decision procedure for the adoption of the Directives on public procurement and concessions progressed well in 2012: on 10 December 2012 the Council adopted a 'general approach' on the concerned proposals. The European Parliament's Committee for the Internal Market and Consumer Protection (IMCO) adopted its report on the Directive on public procurement on 18 December 2012; the report on the Directive on concessions was adopted on 24 January 2013. Both the Council and the IMCO Committee of the Parliament accept the proposed extension of the provisions on reserved contracts and the new proposed lighter regime for social services, but with an increase of the corresponding threshold from €500 000 to €750 000.

4. THE 2013 GUIDE

Following the adoption of the SGEI package, the Commission published on 15 February 2013 an updated version of its *Guide to the application of the European Union rules on state aid, public procurement and internal market to services of general interest (SGEI), and in particular to social services of general interests (SSGI)*.

The update of the Guide⁹⁶ does not introduce major changes to its structure. However, to make it easier to read and to refer to the answers, the numbering of the questions is now continuous from 1 to 237 instead of being split per chapter and section. The Guide gives more straightforward answers to a certain number of questions. It also provides an increased number of examples based on the Commission decision practice and case law.

While the chapter which has been more heavily redrafted is the one on State aid, a few modifications have also been made to Chapter 2 on ‘Concepts of SGEI’. In particular:

- Q&A 11 on the possibility of classifying a service as a SGEI even when other operators are providing it in the market has been redrafted to take into account the guidance on this issue provided in the Commission Communication on the application of State aid rules which is part of the package;⁹⁷
- the issue of provision at market conditions in the near future has been addressed in Q&A 12.

These Q&As on the classification of SGEI address in particular questions on this issue posed by Member States’ experts in the SPC informal working group.

Chapter 3 on State aid, now called ‘The new State Aid SGEI package’ and structured according to the different documents included in the package, starts with a number of Q&As (14 to 19) which broadly present the package documents. Moreover, to guide public authorities in their analysis, a graph has been added,⁹⁸ presenting the different questions a public authority must ask to determine which instrument of the SGEI package it should apply to public service compensation. A simplified version of that scheme, specific to social services, is included at the end of Chapter 2 of this report.⁹⁹

Two new Q&As that are particularly relevant for service providers have also been added: Q&A 22 clarifies the fact that the package does not impose obligations on service providers and Q&A 21 explains that the SGEI provider can ask the entrusting authority on what legal basis a financing has been granted. Both Q&As will help therefore service providers understand better the implications of the State aid package on them and are particularly useful as the providers ultimately bear the risk of having to reimburse compensation granted in violation of the State aid rules.

⁹⁶ Quoted in footnote 25 above.

⁹⁷ See section 2.1 above and in particular page 10.

⁹⁸ See Q&A 20 of the Guide.

⁹⁹ See page 17 above.

The concepts of ‘economic’ and ‘non-economic activity’ have also been further clarified in line with the guidance provided in the SGEI Communication. In particular, the Guide now provides two new examples of non-economic activities: the provision of childcare in Norway according to a 2008 judgment of the EFTA Court and the organisation of public hospitals in Spain in line with a 2003 ECJ ruling.¹⁰⁰ Moreover the Guide explains that the examples of non-economic activities provided in the Communication are not exhaustive¹⁰¹ and recalls that the classification of economic and non-economic activities can change over time,¹⁰² thus addressing concerns expressed on many occasions by Member States experts, notably in the SPC working group, by service providers and by other stakeholders.

In line with the Communication, the Guide has also been enriched with additional examples on local SGEIs which do not seem to affect trade between Member States.¹⁰³ One in particular refers to the provision of long-term mental health care.

The status of the service providers, which is the object of frequent debate in the social services field, has been addressed in the new Q&A 32: responding to whether public authorities can give preference to some types of service providers, the Guide recalls that State aid rules do not prevent Member States to do so and refers to Q&As 209 and 227 as regards public procurement and internal market rules.

Complementing the guidance provided by the SGEI Communication on the fulfilment of the fourth Altmark criterion, the Guide:

- reminds public authorities that fulfilling the fourth Altmark criterion by organising a tender does not lead *per se* to the fulfilment of the other three criteria. Nevertheless the contract signed following the tender procedure and the tender documents can contain all necessary specifications that would ensure compliance with the other three Altmark criteria (see Q&A 62);
- explains why the provision of a SGEI should be compensated according to the ‘least cost for the community’ criterion and clarifies what this criterion implies: as already mentioned above,¹⁰⁴ the criterion of the ‘least cost for the community’ is broader than the lowest price and can be complied with by using the ‘most economically advantageous offer’ criterion, as long as the award criteria are closely related to the subject-matter of the service provided. This will allow to use in the award phase a variety of elements referring to the quality of the services as well as other social and environmental criteria (see Q&A 63);
- explains what is meant in the Communication by open, restricted and negotiated procedures (see Q&As 65, 66 and 67);
- clarifies what is meant with ‘generally accepted market remuneration’ which is the best benchmark to assess the compensation that an efficient undertaking requires, in the second alternative of the fourth Altmark criterion (see Q&A 71).

¹⁰⁰ See box in Q&A 27.

¹⁰¹ See Q&A 29.

¹⁰² See Q&A 30.

¹⁰³ See box in Q&A 38.

¹⁰⁴ See section 2.1 and, in particular, page 11.

The Guide also recalls that compensation that does not comply with the fourth Altmark criterion and thus constitutes State aid can still be compatible with the internal market in line with the Decision or the Framework.¹⁰⁵

A typical case

A municipality applies a negotiated procedure with prior publication to select the provider of family assistance services as it believes this procedure is particularly suitable for this very complex choice. As seen in section 3.1 above, this will be in line with EU public procurement rules. As the negotiated procedure with prior publication is in principle not sufficient to comply with the fourth Altmark criterion,¹⁰⁶ the financing provided by the municipality to the selected service provider may qualify as State aid. However, the financing can be granted in compliance with the SGEI Decision presented in section 2.2 above and thus be compatible with the internal market.

New Q&As on the act of entrustment have also been added to the Guide. They address the following points:

- the authorities entitled to entrust the provision of a service (Q&A 49);
- whether the provider can itself define the contents of the act of entrustment (Q&A 50);
- whether a public authority can entrust the provision of a service to the same provider at the end of an entrustment period (Q&A 57);
- whether an act of entrustment is also necessary under the SGEI *de minimis* Regulation (Q&A 76).
- whether, under the SGEI Decision, the duration of an entrustment can exceed 10 years (Q&A 101) and whether it is still possible to authorise a provider for an unlimited period (Q&A 102);
- why there is a new requirement in the Decision to add a reference to the Decision in the entrustment act (Q&A 115).

A key Q&A in the section on the Altmark decision is the one which explains in details the differences between the 2005 and the 2011 Decisions (Q&A 111).

Moreover, in that section, the Guide addresses one issue which is very relevant for social services: the boundaries of the exemption of notification from which these services benefit. In particular:

- it explains that the list of social services exempted by the Decision, i.e. services *‘meeting social needs as regards health and long term care, childcare, access to and reintegration into the labour market, social housing and the care and social inclusion of vulnerable groups’*, is exhaustive to ensure legal certainty, yet broad enough to encompass the most important areas of social services. By including services relating to *‘the care and social inclusion of vulnerable groups’* it gives the public authorities

¹⁰⁵ See Q&A 67 *in fine*.

¹⁰⁶ See page 11 above.

the necessary flexibility to grant support to a wide variety of social services in accordance with the specific needs of their community (see Q&As 93 and 94);¹⁰⁷

- it clarifies the meaning of the terms ‘childcare’ (Q&A 96), ‘meeting social needs’ (Q&A 97), ‘social inclusion of vulnerable groups’ (Q&A 98), ‘access to and reintegration into the labour market’ (Q&A 99);
- it confirms that aid to social and work integration enterprises can be covered by the Decision (Q&A 100).

The Commission services have also updated the Q&As on the compensation that can be granted in line with the Decision¹⁰⁸ as well as those on the entry into force of the Decision and on the transition period.¹⁰⁹

As explained *supra*,¹¹⁰ the section of the Guide which focuses on the Framework is not particularly interesting for the social services area. The section on the SGEI *de minimis* Regulation, in contrast, is very useful for the provision of social services and in particular the following Q&As are worth mentioning:

- Q&A 74 explains the difference between the SGEI *de minimis* Regulation and the general *de minimis* Regulation;
- Q&A 75 recalls the methods to ensure that the €500 000 ceiling is respected;
- Q&A 77 explains the advantage of using the SGEI *de minimis* Regulation compared to the Decision: a lighter act of entrustment and no need to check for overcompensation;
- Q&A 78 reminds that it is possible to cumulate aid granted under the two *de minimis* Regulations up to the ceiling of € 500 000: **in other words, if a provider has received €200 000 over three years under the general *de minimis* Regulation, it can receive in the same period up to € 300 000 under the SGEI *de minimis* Regulation;**
- Q&A 79 clarifies that a service provider cannot receive compensation under the SGEI Decision and compensation under the SGEI *de minimis* Regulation for the provision of the same service. If it provides two different services, it can receive compensation under the Decision for the provision of one service and under the SGEI *de minimis* Regulation for another (Q&A 80).
- Q&A 81 explains that cumulation between compensation received under the Decision or the Framework and compensation received under the SGEI *de minimis* Regulation is also possible if these compensations concern different periods of time.

Addressing concerns expressed in the SPC working group and in debates at the European Parliament¹¹¹, the Commission services have also updated the questions concerning the

¹⁰⁷ On this point, see also section 2.2 above.

¹⁰⁸ See, in particular, Q&As 123, 131 to 136, 140, 141 and 143.

¹⁰⁹ See Q&As 151 to 153.

¹¹⁰ See section 2.3 of this report.

¹¹¹ See in particular the debate at the *Intergroupe* on Public services on 19 September 2012 on which a press release is published in <http://www.francoisecastex.org/2012/09/financer-les-sieg-par-les-fonds-structurels-une-clarification-simpose.html>.

application of State aid rules to financing granted by public authorities using resources from the European Social Fund, the European Regional Development Fund and the European Agricultural Fund for Rural Development.¹¹²

Finally, in the Chapter on State aid, the Guide provides guidance on the interaction between State aid and public procurement rules, anticipating issues that are further developed in Chapter 5 of the Guide. In particular:

- Q&A 113 recalls that the SGEI Decision does not require the selection of the least expensive provider;
- Q&A 114 and 188 respectively recall that the compliance with the Decision in particular and with the SGEI package in general does not mean that the applicable public procurement rules would not have to be complied with.

What is now needed is to ensure that the Guide is distributed widely to the public authorities in the Member States. Within the SPC working group, Member States' experts have reported that many public authorities, especially at regional and local level, and service providers were not aware of the 2010 Guide. The Commission services will therefore continue to promote the Guide in collaboration with the Member States and with civil society organisations.

¹¹² See Q&As 189 to 196.

5. CONCLUSIONS

The reforms of the EU rules applying to SSGI – both the State aid package already applicable and the public procurement proposals to be adopted by the legislator - bring the answers and the solutions that Member States and stakeholders were looking for:

- with the State aid package the Commission has followed Mario Monti’s invitation to *‘examine [...] all possibilities to further increase the flexibilities of the rules applicable to financial compensation, including through an increase of thresholds and/or through expanding the list of activities for which compensation does not have to be notified irrespective of the amounts involved’*,¹¹³
- the proposed public procurement regime for social services follows the same logic of simplification and of a diversified and proportionate approach: it is clearer and simpler than the one currently provided for the ‘Annex II B’ non-priority services and is much lighter than the standard regime for other goods and services set out in the proposal currently under discussion. It also takes better account of the specific characteristics of social services thanks to the attention it pays to quality, continuity and comprehensiveness and to the flexibility it provides on procedures.

The improvement of the rules has been a result of the thorough consultations that the Commission has undertaken both on State aid and on public procurement and of the ongoing dialogue on SSGI with Member States (notably within the SPC) and with stakeholders.

The simplification and clarification of the State aid rules should be an incentive for public authorities to apply these rules to the social services sector, without the obstacles created by the complexities and burdens of a notification procedure and the fears of possible misunderstanding.

Similarly, the lighter and more adapted public procurement regime should facilitate the acceptance of public procurement rules by those who perceive these rules as burdensome and not suited to social services. At the same time, the reforms at EU level might offer the opportunity to scrutinise national procurement legislation which did not fully avail of the potential for flexibility and quality assurance that EU rules offer in the social services field. When transposing the Public Procurement Directives, Member States may choose to follow the most innovative options that these Directives offer – such as the prohibition of the lowest price award criterion or the introduction of specific and adapted procedures for social services.

It is now the task of the public authorities to fully apprehend these rules and use them to design high-quality and cost-effective social services meeting the needs of their citizens.

To help with the implementation of the rules, the updated Guide already provides answers to concrete questions relating to the new State aid package. While the 2013 update reflects the changes brought to State aid rules by the SGEI package, another update shall follow once the directives on public procurement and on concessions have been adopted by the EU legislator. This is in line with the wish expressed by public authorities and stakeholders for the Guide to be regularly updated to take into account changes in legislation and new case law.

¹¹³ See report quoted in footnote 14 above.

Others questions can be dealt with within the Interactive Information System.¹¹⁴ Member States, service providers' and users' organisations as well as other stakeholders, at EU and at Member States' level, can also help raise awareness on the rules through information and training initiatives. The Commission services will support and encourage these efforts through their regular dialogue with public authorities and stakeholders and through specific seminars and meetings at European and local level.

The long process of dialogue and exchange in which the Commission and all stakeholders in the area of SSGI have been engaged since 2006 is bearing fruit just as high-quality and efficient social services are needed more than ever.

A better understanding and a correct application of the EU rules on State aid and public procurement will help public authorities to make better use of the resources to be invested in social services: it will secure the legality of financing, as far as EU rules are concerned, and will increase the effectiveness, transparency and efficiency of public spending. In other words, thanks to the EU rules, investing in social services will deliver a greater return for people living in Europe.

¹¹⁴ See footnote 18 above.



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Social Investment Package

COMMISSION STAFF WORKING DOCUMENT

Social investment through the European Social Fund

Accompanying the document

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020

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1. INTRODUCTION

In the 2014-2020 financial framework, the European Social Fund (ESF) will be the European Union's main financial instrument for supporting the implementation of employment and social policy reforms by Member States in line with the Europe 2020 strategy. The Member States' implementation of the strategy set out in the Social Investment Package will therefore be supported by the EU principally through the ESF, with significant support also available from other European Structural and Investment (ESI) Funds, in particular the European Regional Development Fund (ERDF), as well as PROGRESS 2007-2013, the Programme for Social Change and Innovation (PSCI) 2014-2020 and the Fund for European Aid to the Most Deprived (FEAD).

This Staff Working Document (SWD) analyses the role of the ESF in supporting the implementation of the Social Investment Package (SIP). The SIP will feed into the European Semester and the development of the appropriate Country-Specific Recommendations (CSRs). This will affect the direction of ESF programmes, as Member States are expected to use the ESF to implement the relevant CSRs.

The ESF has promoted employment and social inclusion throughout the period 2007-2013 by providing financial support in a wide range of areas¹. Building on a stocktaking of examples of current ESF programmes in areas relevant to the SIP, this SWD further describes how, in cooperation with other EU funds including PROGRESS and the ERDF, the Commission proposal for the ESF from 2014 to 2020 will strengthen support for the implementation of the SIP, increasing the efficiency and impact of funding through changes to the ESF funding framework (such as greater results orientation, simplification of administrative processes, ex-ante conditionality, etc.). The SWD also examines the potential of social innovation and the social economy as two effective means of delivering on the SIP agenda across its full range of policy areas with the support of the ESF.

The Commission will develop by mid-2013 operational guidance on how Member States can best use the EU structural and investment funds to achieve the agreed thematic objectives. This will include clear orientations on how the funds can best support the implementation of the policy orientations set out in the SIP.

2. IMPLEMENTATION OF THE SOCIAL INVESTMENT PACKAGE TO DELIVER ON THE EUROPE 2020 STRATEGY

The role of the European Union's budget in implementing the SIP must also be considered. The budget should be 'a catalyst for growth and jobs across Europe, in particular by leveraging productive and human capital investments'². This section therefore outlines the supportive framework of the ESF and other EU funds for the implementation of the Social

¹ Regulation (EC) No 1081/2006 of the European Parliament and of the Council of 5 July 2006, 'by providing financial support aimed at increasing the adaptability of workers and enterprises; enhancing access to employment and sustainable inclusion in the labour market of jobseekers and inactive people; reinforcing social inclusion of disadvantaged people by combating discrimination and facilitating access to the labour market; and enhancing human capital'.

² Draft Conclusions of the European Council (22-23 November 2012).

Investment Package. **Social innovation and the social economy** will both play an important role in helping to achieve the policy objectives of the SIP. The document therefore goes on to outline the importance of these two approaches to Social Investment and the ESF provisions to support them.

European Social Fund 2014-2020

The ESF supports the policies pursued by the Member States under the Integrated Guidelines adopted in accordance with Articles 121 and 148(4) of the Treaty and the Country-Specific Recommendations³, with a view to achieving the Europe 2020 strategy objectives, in particular for employment, educational attainments and poverty reduction. Annex 1 maps the 2012 CSRs with respect to the Thematic Objectives and Investment Priorities of the draft ESF Regulation 2014-2020. These Objectives and Priorities define the areas where the ESF will be able to fund measures. The annex shows that Member States can use several of the priorities set out in the Regulation to help implement the social policy reforms defined in the CSRs. All four Thematic Objectives are relevant for implementing, via the ESF, the CSRs which relate to social policy. Complementary funding from the ERDF can provide integrated support, especially infrastructure, e.g. for the provision of social services.

The SIP framework will help guide the Member States regarding the priorities of the ESF's co-funded programmes. This framework is based on three pillars: increase the sustainability and adequacy of budgets through simplified and better targeted social policies; pursue activating and enabling policies through targeted, conditional, simplified and more effective support.

The ESF is the EU's main budgetary instrument for supporting vitally needed structural reforms and investments across the Member States in the area of employment and social policy. For instance, the ESF supports the introduction of early-childhood education and care services in Hungary or the transition to community-based care of children living in large institutions in Bulgaria. A significant part of the ESF envelope available for the period 2007-2013 has been allocated to measures supporting social inclusion. This represents €12 billion, or 16% of the European Social Fund, of which at least 7.5 billion had already been used by 2011.

In the future, programming of the European Structural and Investment (ESI) Funds, including the ESF, will be more strategic and geared towards results.

In terms of strategic orientation, Country-Specific Recommendations will be the key elements to be taken into account when identifying the main development needs, the choice of thematic objectives, corresponding investment priorities and financial allocations from the ESI Funds in each Member State. In 2012 the Council addressed recommendations to several Member States in the field of social inclusion.

Ex-ante conditionalities will ensure that the right conditions for effective support are in place (e.g. in the field of active inclusion or the integration of marginalised communities, such as Roma) and will also ensure that potential bottlenecks in policy, regulatory and institutional frameworks are addressed.

³ Regulation (EC) No 1081/2006 of the European Parliament and of the Council of 5 July 2006

³ COM(2011) 607 final /2, 'Proposal for a Regulation of the European Parliament and of the Council on the European Social Fund and repealing Council Regulation (EC) No 1081/2006, Explanatory Memorandum.

The needs of people facing multiple disadvantages may require running different types of interventions simultaneously. For example, the start-up and running of viable social enterprises may involve the training and mentoring of social entrepreneurs, setting up a support network, information for financial service providers, the provision of micro-credit and the acquisition of equipment and facilities. The new provisions will make it easier to provide combined support from several funds (Cohesion Fund ERDF, ESF) to meet complex social investment needs. For instance, it will be easier for Member States to target the specific needs of the poorest in particular geographical areas through integrated programmes.

It is crucial to mobilise all potential resources and fully involve all concerned stakeholders at each level. The involvement of all partners is especially important for effective social inclusion measures focusing on people facing specific challenges. It will lead to better outreach and targeting of the programmes. The Partnership Principle will be strengthened, bringing together all parties interested in the success of social investments in the preparation, design, implementation and monitoring of the programmes. A Code of Conduct, covering principles and best practices, will set out the framework within which the Member States will pursue the implementation of the partnership principle. Better monitoring of agreed targets will also help to increase the focus on what the measures being financed are intended to achieve.

The ESF can also be used to support the capacity building of NGOs and social partners, helping them mobilise their resources and know-how in favour of social investments.

Simplifications will ease the administrative burden on the beneficiaries of the funds. This will facilitate the involvement of all stakeholders, and especially of small entities. For instance, small grants under the EUR 50.000 threshold will have to be paid on the basis of simplified cost options⁴. In some cases, Joint Action Plans will mean that payments can be linked to the achievement of pre-agreed targets. This will be a major simplification, making it possible to shift the focus of programme implementation from eligible costs to the achievement of concrete results.

Social innovation and social policy experimentation

Social innovation has been defined as ‘innovations that are social in both their ends and their means. Specifically, [...] 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 boost society’s capacity to act.’⁵

Innovation has been a key concept of the European Social Fund since the launch of the EQUAL Community Initiative Programme in 2000, an initiative that supported social innovation in the fields of social inclusion and employment. Consequently, innovation and partnership have become the watchwords of the ESF, and innovative programmes have helped to increase the effectiveness of a number of social policies. The series of calls for proposals under PROGRESS also address social innovation and social policy experimentation directly.

⁴ Lump sums or standard scales of unit costs.

⁵ BEPA, ‘Empowering People, Driving Change: Social Innovation in the European Union, May 2010, p. 9.

The draft ESF Regulation for the period 2014-2020 contains new provisions to strengthen support for social innovation (Article 9). Social innovation will be part of ESF programmes in all Member States in areas that correspond to their specific needs. This means that social innovation will be organised in such a way as to increase the efficiency of specific social policy fields, defined by the relevant authorities. The objective of the programmes will be to test and scale up successful innovation. Moreover, in order to introduce a strategic approach and closer monitoring, social innovation can be programmed in dedicated priority axes, in which case the maximum co-financing rate will be topped up by 10 percentage points. Furthermore, the Commission is going to facilitate capacity building for social innovation, through mutual learning for example.

Innovation, entrepreneurship and the knowledge-based society are at the core of the Europe 2020 Strategy and its targets and guidelines. Thus, two flagship initiatives within the Europe 2020 Strategy (the European Platform against Poverty and Social Exclusion and Innovation Union⁶), as well as the forthcoming Research and Innovation Programme Horizon 2020, mean that social innovation takes centre stage. As Europe's citizens lead increasingly diverse lives⁷, the range of challenges that social policy is called upon to address is increasing. A wider range of forms of provision is needed. This in turn increases the need for the rapid identification, trial and upscaling of many innovative solutions to new challenges.

The potential of social innovation is further increased by the growing range of innovative ICT-based solutions that are available in terms of technology, although they only materialise rapidly on the ground where social innovation is encouraged to take full advantage of them.

In this context, the social innovation and social policy experimentation (SISPE) approach is a vital tool for supporting reforms, as it allows a systematic approach to identifying the required social innovations in a way that makes it possible to upscale the effective ones. It is not enough to try out effective and evidence-based solutions, technologies and services that are better at meeting social needs. Upscaling of such successful trials is greatly facilitated by SISPE since it makes it possible to demonstrate their strengths objectively and convincingly, thus making it much more likely for them to reach the market and satisfy a demand. In this way they can expand and in turn create job opportunities themselves. Social innovation is thus an essential element of social investment policy, supporting the adaptation of social policies to reforms.

However, it benefits considerably from formalisation, in terms of professionalisation, transparency, rigour, and the possibility to move beyond ad-hoc and unsystematic learning through chance encounters. Instead, it becomes possible to examine and learn from the wide range of approaches and experiments across the whole EU and across sectors and sub-sectors.

In addition to financing projects that harness the social economy and social innovation in line with the Social Investment Package's objectives, the ESF will support these approaches in

⁶ The pilot European Innovation Partnership on Active and Healthy Ageing is part of the Innovation Union Flagship initiative. It aims to identify and remove persisting barriers to innovation for active and healthy ageing, through interdisciplinary and cross-sectorial approaches, see: http://ec.europa.eu/research/innovation-union/index_en.cfm?section=active-healthy-ageing

⁷ See European Commission Staff Working Document - *Evidence on Demographic and Social Trends*, SWD(2013) 38, section 2.

synergy with the new integrated Programme for Social Change and Innovation as part of the comprehensive European Employment and Social Inclusion Initiative⁸.

The social economy and social enterprises

The 'social economy' designates a sector which is different both from the traditional public 'general interest serving' sector and from the private profit-driven market. It covers bodies with a specific legal status (cooperatives, foundations, associations, mutual societies), many of which are also social enterprises. 'Social enterprise' denotes businesses:

- for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation,
- where profits are mainly reinvested with a view to achieving this social objective,
- and where the method of organisation or ownership system reflects their mission.

The social economy and social enterprises form a strong European sector that today represents at least two million enterprises and employs over 11 million employees, or 6% of the workforce⁹. The Commission has made proposals to support the sector's development through the 2011 'Social Business Initiative' Communication¹⁰.

The draft ESF Regulation¹¹ contains a new investment priority specifically dedicated to 'Promoting the social economy and social enterprises'. It creates the ground for Member States to include targeted activities in this area in their operational programmes for 2014-2020. These are expected to consist mostly of support for business development or business transformation of social enterprises; support for social enterprises' access to finance, including through financial instruments providing support through repayable investments; and raising awareness of the sector. At the same time, social enterprises will take part in ESF co-funded interventions in various policy areas. In this way, they can add to the implementation capacity of the public sector. For example, third-sector undertakings are well placed to provide tailor-made labour market reintegration or rehabilitation services, as part of active labour market policies; or early childhood education and care services for children with a minority or migrant background.

The two specific strengths of the social economy and social enterprises outlined below show why they are well placed to play a key supportive role in the promotion and piloting of social investment:

- 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.

⁸ The Explanatory Memorandum to the [ESF regulation](#).

⁹ EP report on the Social Business Initiative — 'Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation', Committee on Employment and Social Affairs, Rapporteur Heinz K. Becker, 4 October 2012.

¹⁰ COM(2011) 682, 'Social Business Initiative: Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation', 25.10.2011.

¹¹ Proposal for a regulation of the European Parliament and of the Council on the European Social Fund and repealing Council Regulation (EC) No 1081/2006, COM(2011) 607 final.

- The social economy and social enterprises are sources of **social innovation**¹². 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 improve social issues, they are well placed to generate social impact and foster social innovations that deliver better social or societal outcomes. For instance, they often introduce into their activity ways of reducing emissions and waste or of using energy more efficiently (therefore contributing to sustainable growth), or they focus on innovation, including social innovation, addressing societal challenges such as ageing or new care needs, and the participatory use of the Internet (therefore contributing to smart growth).

3. EXAMPLES AND EXPERIENCES OF SOCIAL INVESTMENT SUPPORTED BY EU FUNDS

EU funds, and the ESF in particular, support and will continue to support measures in a wide range of areas of employment and social policy. The thematic objectives of the ESF are in line with the priorities set in the SIP, and Article 3 of the draft ESF Regulation on the scope of the ESF confirms its role in supporting employment, skill development, social inclusion, combating poverty, and ensuring efficient public administration in Europe.

This section looks at how EU Funds can support programmes in thematic areas relevant to the SIP. In addition to these issue areas, this section singles out how EU Funds relate to two very useful ways of improving social policy design and delivery, as discussed in Section 2: 1) social innovation and 2) social economy and entrepreneurship.

3.1 Examples and experiences of the EU Funds supporting thematic areas relevant to the Social Investment Package

In the 2007-2013 programming period, the European Social Fund has so far reached over 50 million people, and in 2011 alone it directly impacted the lives of 4.5 million unemployed and 5 million inactive people. It did so by providing €75 billion to help people fulfil their potential by giving them better skills and better job prospects. Addressing the CSRs, certain Member States have already used the ESF to invest in operations in line with the priorities outlined in the SIP.

In 2012 the Council provided CSRs to Member States such as: strengthening of activation tools for disadvantaged people, better enabling of transitions from benefits to paid work, improved targeting of social security systems, and greater accessibility to social services, in particular child care and health care. Accordingly, many of these countries have used the ESF and other EU funds to address these recommendations. In some of the examples (Box 2), Member States were already using the funds to support policies along the same lines as those recommended in the CSRs.

The SIP's influence on future CSRs and the forthcoming publication of an integrated operational guide for the ESF will help ensure that in the future more ESF investments will reflect the social investment approach of the examples given below.

¹² 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.

In the 2007-2013 programming period all 27 Member States are using ESF assistance to facilitate social inclusion. Approximately €12 billion is allocated to social inclusion priority axes and the total budget devoted to priority axes with a social inclusion component in ESF Operational Programmes is around €32.5 billion¹³.

17 Member States¹⁴ follow a specific active inclusion approach in the policies supported by ESF programmes. This has represented the bulk of EU funding in the social domain. The range of co-financed activities has covered the whole spectrum of active inclusion except income support which is not eligible for the ESF. Supportive activation services to those further away from the labour market (e.g. young people, single parents, people of foreign origin, older people) have been the main focus of the programmes. The development of social services ensuring better quality and accessibility for people with disadvantages has also been funded, for example in Latvia, Romania and Spain. National schemes could be used to add the necessary income support.

In 2012 the Council recommended putting active inclusion policies in place to 17 Member States: Belgium, Bulgaria, Cyprus, the Czech Republic, Germany, Denmark, Estonia, Spain, Hungary, Italy, Lithuania, Latvia, the Netherlands, Poland, Sweden, Romania and the United Kingdom. Recommended policies encompass: the strengthening of activation tools for people with disadvantages, better enabling of transitions from benefits to paid work, improved targeting of social security systems, improved accessibility of social services, in particular child care and health care. The ESF is used in many of these countries to address these recommendations¹⁵.

Box 1: ESF addressing the CSR for Belgium on active inclusion¹⁶

CSR 2011 for Belgium: ‘Improve the effectiveness of active labour policies by targeting measures at older workers and people facing particular challenges.’

CSR 2012 for Belgium: ‘Strengthen the focus of employment support and activation policies on older workers and people facing particular challenges, in particular people with a migrant background. ... Extend existing activation efforts to all age groups.’

Both in its National Reform Programme and the National Social Report, the Belgian Government pays special attention to the social and occupational activation of those who are furthest away from the labour market, in line with the EU strategy 2020. In order to reach this goal, 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:

- 1: the promotion of social and occupational activation paths

¹³ The European Social Fund and Social Inclusion — ec.europa.eu/esf/BlobServlet?docId=166&langId=en.

¹⁴ Assessment of the implementation of the European Commission recommendation on active inclusion — Synthesis Report. Overview based on the national reports prepared by the EU Network of Independent Experts on Social Inclusion.

¹⁵ Assessment of the Implementation of the EC’s Recommendation on Active Inclusion in Belgium; .

¹⁶ Assessment of the Implementation of the EC’s Recommendation on Active Inclusion in Belgium; .

- 2: 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.

In addition to activation, ESF has also been used to support access to services, in the area of child care for instance.

Box 2: ESF addressing the CSR for Bulgaria for improving access and effectiveness of benefits and social services for children

CSR 2012 for Bulgaria: ‘To alleviate poverty, improve the effectiveness of social transfers and the access to quality social services for children ...’

In Bulgaria, ESF has been funding a comprehensive project ‘Childhood for all’ under the OP ‘Human Resources Development’. The total duration of the project is 54 months (June 2010 to December 2014). This project represents the main pillar of Bulgaria’s ongoing de-institutionalisation reform as it strives to create a sustainable model of transition from residential to community-based services for children with disabilities.

The project consists of two components: ‘Planning of measures for de-institutionalisation’ (2.5 MEUR) and ‘Provision of community-based social services’ (16.5 MEUR). In addition to ESF support for this project, the ERDF and the EAFRD have allocated 54.6 MEUR and 8.5 MEUR respectively to support municipalities in urban and rural areas in the building of new social infrastructure to replace the traditional residential institutions.

The project aims to change the philosophy of care for children with disabilities and children in institutions, focusing on preventing the risk of institutionalisation, supporting families and providing a family or close-to-family environment for each child placed in a specialised institution for children with disabilities. The project has provided the children with a package of services according to their individual needs. So far, not enough services have been developed to support children with disabilities in the community. Furthermore, the existing services are not evenly distributed in accordance with the needs of those targeted. This makes it difficult to prevent children from being abandoned and to provide quality support for children with disabilities and their families. The project addresses this problem by planning a package of services in the community, which will provide a long-term alternative for children and families.

The main activities of the ESF programme include a review of the assessment of each child's abilities, drawing up of individual action plans, reintegration activities including preparation for children’s removal from institutions, selection and training of foster parents and training of social workers. To date, the abilities of 1797 children in institutions have been reviewed. In all, 59 diagnoses have been changed, 76 children adopted, 26 placed in foster families, 28 re-integrated into their biological families, 14 placed in protected homes, 6 placed in transitional housing, and 25 placed in centres with family-type accommodation.

Box 3: ESF addressing the CSR for Italy on childcare

CSR 2011 for Italy: ‘... take steps to promote greater participation of women in the labour market, by increasing the availability of care facilities ...’

CSR 2012 for Italy: ‘Take further action to incentivise labour market participation of women, in particular through the provision of childcare ...’

In Italy, in 2004 the major consortia of social cooperatives along with one of the main national banks created the PAN consortium, which is part-financed by ESF. PAN develops services for children through the social enterprise formula, an entrepreneurial form which is consistent with the ‘public’ purpose of these services. Local governments responsible for the administration of childcare services and families or private/public companies interested in creating ‘company nurseries’ are also playing an important role as partners.

PAN offers planning, start-up assistance and loans to organisations and people interested in establishing new types of services for children in the form of social enterprises. On the basis of quality-check tools, all social enterprises members of PAN receive a guaranteed quality trademark. PAN also helps families with personal loans to reduce the cost of early childhood services.

In just four years, PAN has successfully built 150 new infant schools with 4 500 available places and more than 1 000 new jobs. Nowadays in Italy there are more than 400 day nursery centres which take care of about 12 000 children and employ more than 3 000 people.

Box 4: PROGRESS addressing the CSR for Belgium on pension sustainability

CSR 2012 for Belgium: ‘Continue to improve the long-term sustainability of public finances by curbing age-related expenditure ... implement the reform of ... pension schemes ...’

The project ‘Simulating the adequacy of pensions in Belgium using administrative data (SIPEBE)’ was financed by the PROGRESS programme. It analysed the extent to which the Belgian pension system provides adequate pension benefits to today’s and tomorrow’s retirees. This was done using a micro-simulation model. In order to provide adequacy measures that corresponded to a level of sustainability of the system, the assessment model was aligned to the demographic and macroeconomic projections of the macro-budgetary MALTESE model created by the Federal Planning Bureau.

The main outcome of the SIPEBE project was to provide policy makers with an assessment tool for measuring the adequacy of the Belgian pension system for wage earners and civil servants. The adequacy measurements of this project were therefore in accordance with the sustainability assessment of the system.

Box 5: PROGRESS addressing the CSR for Netherlands on long-term care

CSR 2012 for the Netherlands: ‘Prepare a blueprint for reforming long-term care in view of an ageing population.’

The project ‘Quality Management by result-oriented indicators towards benchmarking in residential care for older people’ was financed by the PROGRESS programme.

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

The project designed results-oriented indicators with a view to benchmarking in residential care for older people. It collected and validated results-oriented quality indicators for care homes, based on an exchange of experiences in selected Member States. Apart from the quality of care, special focus was given to the 'quality of life' domain. Economic performance, leadership issues and the social context complemented the domains used to define, measure and assess the quality of results in care homes. Furthermore, 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 respective challenges. This study produced a handbook on 'Measuring Progress: Indicators for Care Homes', which was disseminated in 5 languages and also helped to inform the Voluntary European Quality Framework for Social Services produced by the Social Protection Committee.

3.2 Experiences of social innovation supported by the ESF

Over the previous decade, the European Social Fund has made significant investments in social innovation. In the period 2000-2006, the ESF EQUAL programme invested €3.2 billion in innovative projects across the Union, bringing together 20000 partners from all over Europe to design, test and validate innovative solutions to integrating people with disadvantages into the labour market. EQUAL succeeded in demonstrating the added value that innovation brings to the design and delivery of inclusive labour markets, and improved the conditions for generating a significant number of innovations. The EQUAL experience built the initial case to show that innovative approaches are a cost effective and sustainable way of introducing change. As a result, a consensus emerged that promoting innovation should be an integral part of all Operational Programmes. EQUAL continued into the first three years of the current programming period (2007-2013) with the objective of mainstreaming its innovation and transnational aspects. Calls for proposals under PROGRESS continue to focus on social innovation and social policy experimentation directly.

ESF funding allocated to social innovation in different Member States generally varies between 1 % and 5 % of the ESF total. The main thematic areas involving socially innovative approaches have been inclusive employment, education/training policies and social inclusion.

2007-2013 funding for social innovation is estimated as follows in a 2010 report¹⁷:

¹⁷ BEPA, op. cit.

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

Already in the current programming period, social innovation in the ESF has contributed to reforming social policies, improving their targeting and efficiency.

Box: Social innovation in migration policy — Portugal

At the end of the 1990s, when the immigrant population doubled within a few years, when most of the new waves were not Portuguese speakers and had no historical ties with Portugal, the public 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 unfamiliar linguistic, cultural and administrative setting.

As a response, one-stop-shops, the National Immigrant Support Centres, were set up with the support of the ESF, changing the public administration of immigration policies. The centres have helped immigrants to find their way through complex procedures and bureaucracy. Moreover, with a view to ensuring that administrative procedures of immigration 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 with immigrant backgrounds were also recruited and trained, playing a fundamental role in this service provision, complementing the service provided by the public servants. This integrated service provision has been made possible by partnership with other providers, including NGOs.

In the new programming period, Member States will identify the themes where social policy innovations will be implemented through the ESF, including the social challenges identified by the country-specific recommendations. The objective will be to test new innovative policy approaches and scale up the most efficient ones.

As well as the ESF, a social innovation element can be seen in a range of programmes, policies and initiatives of the European Commission: the European Regional Development Fund (ERDF), the Framework Programmes for Research and Development European (FP RTD), 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) as well as the PROGRESS programme.

The PROGRESS Programme in particular complements the ESF contributions. It helps improve the quality of the Commission's policy initiatives by ensuring that they are built on strong evidence and by making its decision-making processes more accessible and involving a broad range of stakeholders in policy developments. Under PROGRESS, a first annual call

for proposals on social policy experimentation was launched in 2009. Since 2011, to encourage scaling up into public policies, the calls have been restricted to public authorities.

3.3 Experiences of the social economy and social entrepreneurship supported by the ESF

There is great potential for the ESF to step up support for the development of social entrepreneurship as called for in the Commission's 2011 'Social Business Initiative' Communication . The Commission has therefore provided for technical assistance to make ESF Managing Authorities more aware and better equipped to provide support to the social economy.

Although the promotion of the social economy and social entrepreneurship have not been specific priorities of the Structural Funds in the current round of programmes, social enterprises and social entrepreneurship have been supported by the funds. On the one hand, support has been provided with a view to the development of the social economy.

Box: Specific support for the social economy by the Structural Funds in the Czech Republic

In the Czech Republic, the 'Investment support for the social economy' global grant, part of the ERDF integrated operational programme, provides start-up capital for social service providers, employers and other social economy organisations. Grants range from €12000 to €200000. In parallel, the 'Social economy' global grant, part of the ESF Human Resources and Employment Operational Programme, supports the creation and development of new social businesses.

Grants range from €4000 to €200000.

Box: Specific support for Microfinance by the Structural Funds in Germany

In Germany the federal guarantee fund 'Mikrokreditfonds Deutschland' was set up in January 2010 with the sum of €100m (€60m from the European Social Fund and €40m from the Federal Ministry of Employment and Social Affairs), with the aim of improving access to loans up to €20000 for start-ups and microbusinesses. The goal of the fund is to disburse 15000 loans by 31 December 2015. Priority is given to serving clients with a migrant background, women entrepreneurs and companies offering apprenticeships. Since the fund started in 2010, the number of disbursed loans is more than 250% above what was initially planned. By December 2011 6600 microloans totalling €39m had been given out, with a default rate of only 3%. In all, 41% of the clients have migrant backgrounds and 33% are women. The main business areas are services, retail, catering and handicrafts.

Also in Germany, through the ESF-funded business support programme Gründercoaching, starters and entrepreneurs who have already set up their business, but less than five years ago, can receive coaching for 12 months. The coaching can concern financial advice, the development of a marketing strategy or conducting a market study. The programme is managed by the German federal bank KfW. The entrepreneur receives a grant as a contribution towards coaching fees. The amount covered is 75% in Eastern Germany and 50% in Western Germany, with a maximum fee of €6000. For starters who are unemployed,

90% of a maximum of €4 000 of coaching fees is covered. Applications for the grant must be handed in at one of the regional partners of KfW such as Chambers of Commerce or start-up and business support organisations. For microcredit institutions, combining a microloan with Gründercoaching is difficult. Microcredit organisations that operate under Mikrokreditfonds Deutschland must not make participation in Gründercoaching that they themselves provide a prerequisite for receiving a loan. This is prohibited under German consumer protection legislation. In principle, however, a combination is possible. Moreover, the Gründercoaching cannot be used for the development of the business plan. This means that the entrepreneur has to go to another organisation that either offers paid advice in this regard or has a subsidised (e.g. ESF-funded) counselling project. One problem is that the maximum duration of the coaching is 12 months and once started no interruption is allowed. This means the borrower cannot receive any more coaching if he/she has a problem with the business after 12 months have elapsed.

On the other hand, social enterprises have been supported as they contribute to the delivery of employment, social inclusion, education and institutional capacity-building priorities. As service providers, these undertakings have offered an efficient way of delivering policy and created sustainable jobs at the same time. For example, in the employment field, the social economy has provided labour market reintegration and rehabilitation services for long-term unemployed people, referred to them by public employment services, as part of active labour market policies. They have also provided early childhood education and care for families with a disadvantaged socio-economic background (e.g. migrants, Roma, low-skilled parents) thereby improving access to education and the reduction of early school leaving. Equally, social enterprises have been active in the provision of community care to disabled people, thereby supporting the transition from institutional to community-based care.

In many Member States, the ESF interventions in this field too have played their part in the implementation of country-specific recommendations.

Box: ESF response CSR for Hungary on active labour market services

CSR for Hungary: ‘Strengthen the capacity of the Public Employment Service to increase the quality and effectiveness of training, job search assistance and individualised services, with particular regard for people facing disadvantages. ...’

A significant part of labour market integration services for long-term unemployed people are provided in Hungary by small social enterprises with close local contacts and better outreach to people facing disadvantages (disabled people, Roma, single parents, addicts, etc.). They have also contributed to the delivery of ESF co-financed national active labour market programmes, e.g. the rehabilitation and reintegration of people with altered working capacities involving 14.8 thousand people in the programme by 2011 and placing 1.5 thousand in sustained employment.

With a view to integrating the labour market service delivery capacity into the provision of active labour market services, the ESF has also co-financed the standardisation of services and the development of an accreditation system for social enterprises.

ANNEX 1: IMPLEMENTING 2012 COUNTRY-SPECIFIC RECOMMENDATIONS THROUGH THE ESF

The table below shows how Member States can use the ESF to implement the 2012 CSRs by mapping each of the CSRs addressing social investment issues onto the relevant Thematic Objectives and Investment Priorities from the draft ESF Regulation. It details which specific Thematic Objectives and Investment Priorities have been recommended by the Commission for using the ESF to support implementation of each of these CSRs in the Commission Position Papers sent to Member States in November 2012.

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
AT2	2. Take further steps to strengthen the national budgetary framework by aligning responsibilities across the federal, regional and local levels of government, in particular by implementing concrete reforms aimed at improving the organisation, financing and efficiency of healthcare and education.	(d) Enhancing institutional capacity and efficient public administration	<ul style="list-style-type: none"> Investment in institutional capacity and in the efficiency of public administrations and public services with a view to reforms, better regulation and good governance
AT3	3. Bring forward the harmonisation of the statutory retirement age between men and women; enhance older workers' employability and monitor closely the implementation of the recent reforms restricting access to early exit channels in order to ensure that the effective retirement age is rising including through linking the statutory retirement age to life expectancy.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> Active and healthy ageing Equality between men and women and reconciliation between work and private life

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
AT4	4. Take steps to reduce the effective tax and social security burden on labour especially for low income earners with a view to increasing employment rates for older persons and women given the need to counteract the impact of demographic change on the working population. Shift the tax burden in a budgetary neutral way, towards real estate taxes, and environmental taxes. Reduce the high gender pay gap and enhance full-time employment opportunities for women, in particular through the provision of additional care services for dependants.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Active and healthy ageing • Equality between men and women and reconciliation between work and private life
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
AT5	5. Continue to implement measures to improve educational outcomes, especially of disadvantaged young people. Take measures to reduce drop-outs from higher education.	(b) Investing in education, skills and lifelong learning	<ul style="list-style-type: none"> • Reducing early school leaving and promoting equal access to good quality early childhood, primary and secondary education • Improving the quality, efficiency and capacity of tertiary and equivalent education with a view to increasing participation and attainment levels. • Investing in education, relevant skills and lifelong learning by developing education and training infrastructures.
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
BE2	2. Continue to improve the long-term sustainability of public finances by curbing age-related expenditure, including health expenditure. In particular, implement the reform of pre-retirement and pension schemes and take further steps to ensure an increase in the effective retirement age, including through linking the statutory retirement age to life expectancy.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Sustainable integration of young people not in employment, education or training into the labour market • Active and healthy ageing;
BE5	5. Significantly shift taxes from labour to less growth-distortive taxes including for example environmental taxes. Pursue the initiated reform of the unemployment benefit system to reduce disincentives to work and strengthen the focus of employment support and activation policies on older workers and vulnerable groups, in particular people with a migrant background. Take advantage of the planned further regionalisation of labour market competencies to boost interregional labour mobility and to strengthen the coherence between education, lifelong learning, vocational training and	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Sustainable integration of young people not in employment, education or training into the labour market • Active and healthy ageing;

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
	employment policies. Extend existing activation efforts to all age groups.	(b) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion • Combating discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation
		(c) Investing in education, skills and life-long learning	<ul style="list-style-type: none"> • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems <ul style="list-style-type: none"> • Reducing early school-leaving and promoting equal access to good quality early childhood, primary and secondary education

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
BG1	1. [S]trengthen efforts to enhance the quality of public spending, particularly in the education and health sectors.'	(b) Investing in education, skills and lifelong learning	<ul style="list-style-type: none"> • Reducing early school leaving (ESL) and promoting equal access to good-quality early childhood, primary and secondary education • Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels • Investing in education, skills and lifelong learning by developing education and training Infrastructure • Enhancing access to affordable, sustainable and high-quality services, including healthcare services
BG2	2. Take further steps to reduce risks to the sustainability and to improve adequacy of the pension system by making the statutory retirement age the same for men and women with full career contributions. Introduce stricter criteria and controls for the allocation of invalidity pensions.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for jobseekers and inactive people, including local employment initiatives and support for labour mobility • Sustainable integration of young people not in employment, education or training (NEET) into

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
			the labour market
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active Inclusion
BG3	3. Accelerate the implementation of the national Youth Employment Initiative. Ensure that the minimum thresholds for social security contributions do not discourage declared work. Step up efforts to improve the Public Employment Service's performance. To alleviate poverty, improve the effectiveness of social transfers and the access to quality social services for children and the elderly	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for jobseekers and inactive people, including local employment initiatives and support for labour mobility • Sustainable integration of young people not in employment, education or training (NEET) into the labour market

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
	and implement the National Roma Integration Strategy.	(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active Inclusion • Integration of marginalised communities, such as the Roma
BG4	4. Speed up the reform of relevant legal acts on schools and higher education and of accompanying measures by focusing on modernising curricula, improving teacher training, and ensuring effective access to education for disadvantaged groups. Improve the access to finance for start-ups and SMEs, in particular those involved in innovative activities.	(b) Investing in education, skills and lifelong learning	<ul style="list-style-type: none"> • Reducing early school leaving (ESL) and promoting equal access to good-quality early childhood, primary and secondary education • Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels • Investing in education, skills and lifelong learning by developing education and training Infrastructure
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion • Integration of marginalised communities, such as the Roma
CY3	3. Further improve the long-term sustainability and adequacy of the pensions system and address the high at-	(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
	risk-of-poverty rate for the elderly. Ensure an increase in the effective retirement age, including through aligning the statutory retirement age with the increase in life expectancy.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Active and healthy ageing
CY4	4. Complete and implement the national healthcare system without delay, on the basis of a roadmap, which should ensure its financial sustainability while providing universal coverage.	(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion • Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest
CY5	5. Improve the skills of the workforce to reinforce their occupational mobility towards activities of high growth and high value added. Take further measures to address youth unemployment, with emphasis on work placements in companies and promotion of self-employment. Take appropriate policy measures on the demand side to stimulate business innovation.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Sustainable integration of young people not in employment, education or training into the labour market • Self-employment, entrepreneurship and business creation
		(b) Investing in education, skills and life-long learning	<ul style="list-style-type: none"> • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
			relevance of education and training systems
CZ2	2. Introduce further changes to the public pension scheme to ensure its long-term sustainability. Reconsider plans to allow an earlier exit from the labour market. Promote effective participation of younger workers in the envisaged funded scheme to improve adequacy of pensions.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people including local employment initiatives and support for labour mobility • Modernisation and strengthening of labour market institutions • Active and healthy ageing
CZ3	3. Take additional measures to significantly increase the availability of affordable and quality pre-school childcare.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Equality between men and women and reconciliation between work and private life;
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Integration of marginalised communities such as the Roma • Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest
CZ4	4. Strengthen PES by increasing the quality and effectiveness of training, job search assistance and individualised	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people including local employment initiatives and support for labour

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
	services, including of outsourced services.		mobility <ul style="list-style-type: none"> • Modernisation and strengthening of labour market institutions, including actions to enhance transnational labour mobility
CZ6	6. Adopt the necessary legislation to establish a transparent and clearly defined system for quality evaluation of higher education and research institutions. Ensure that the funding is sustainable and linked to the outcome of the quality assessment. Establish an improvement-oriented evaluation framework in compulsory education.	(b) Investing in education, skills and life-long learning	<ul style="list-style-type: none"> • Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels • Reducing early school-leaving and promoting equal access to good quality early childhood, primary and secondary education
DE3	3. Reduce the high tax wedge in a budgetary neutral way, in particular for low-wage earners, and maintain appropriate activation and integration measures, in particular for the long-term unemployed. Create the conditions for wages to grow in line with productivity. Take measures to raise the educational achievement of disadvantaged groups, in particular through ensuring equal opportunities in the education and training system. Phase out the fiscal disincentives for second earners, and increase the	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Equality between men and women and reconciliation between work and private life • Sustainable integration of young people not in employment, education or training (NEET) into the labour market

- Adaptation of workers, enterprises and entrepreneurs to change
- Active and healthy ageing

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
	availability of fulltime childcare facilities and all-day schools.		
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion
DK2	2. Take further steps to enhance long-term labour supply by reforming the disability pension, better targeting subsidised employment schemes (the ‘flex-job’ system) towards people with reduced work capacity, and improving the employability of people with a migrant background.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Support and promote self-employment, entrepreneurship and business creation

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion
DK3	3. Implement announced measures, without delay, to improve the cost-effectiveness of the education system, reduce drop-out rates, in particular within vocational education, and increase the number of apprenticeships.	(c) Investing in education, skills and life-long learning	<ul style="list-style-type: none"> • Reducing early school-leaving and promoting equal access to good quality early-childhood, primary and secondary education
EE2	2. Improve incentives to work by streamlining the social benefits system and increasing flexibility in the allocation of disability, unemployment and parental benefits, while ensuring adequate social protection. Improve delivery of social services, while better targeting family and parental benefits and removing distortionary income tax exemptions related to children. Increase the participation of the young and the long-term unemployed in the labour market.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Sustainable integration of young people not in employment, education or training into the labour market; • Self-employment, entrepreneurship and business creation • Active and healthy ageing

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
		(b) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest
EE3	3. Link training and education more effectively to the needs of the labour market, and enhance cooperation between businesses and academia. Increase opportunities for low-skilled workers to improve their access to lifelong learning. Foster prioritisation and internationalisation of the research and innovation systems.	(b) Investing in education, skills and life-long learning	<ul style="list-style-type: none"> • Reducing early school-leaving and promoting equal access to good quality early childhood, primary and secondary education • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems • Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels
EL	Implement the measures laid down in Decision 2011/734/EU, as amended on 8 November 2011 and 13 March 2012, and the Memorandum of Understanding on Specific Economic Policy	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Sustainable integration of young unemployed and young people not in employment, education or training (NEET) into the labour

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
	Conditionality, which was signed on 14 March 2012		<p>market</p> <ul style="list-style-type: none"> • Self-employment, entrepreneurship and business creation. • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility
		(b) Investing in education, skills and lifelong learning	<ul style="list-style-type: none"> • Reducing early school leaving and promoting equal access to good quality early childhood, primary and secondary education. • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems.
		(c) Active inclusion and combating poverty	<ul style="list-style-type: none"> • Promoting the social economy and social enterprises • Active inclusion • Enhancing access to affordable, sustainable and high-quality services, including healthcare services

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
ES2	2. Ensure that the retirement age is rising in line with life expectancy when regulating the sustainability factor foreseen in the recent pension reform and underpin the Global Employment Strategy for Older Workers with concrete measures to develop lifelong learning further, improve working conditions and foster the reincorporation of this group in the job market.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Promoting an active and healthy ageing
ES5	5. Implement the labour market reforms and take additional measures to increase the effectiveness of active labour market policies by improving their targeting, by increasing the use of training, advisory and job matching services, by strengthening their links with passive policies, and by strengthening coordination between the national and regional public employment services, including sharing information about job vacancies.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Facilitating access to employment for job-seekers and inactive people, paying attention to the gender dimension, including local employment initiatives and support for labour mobility

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
ES6	6. Review spending priorities and reallocate funds to support access to finance for small and medium-sized enterprises (SMEs), research, innovation and young people. Implement the Youth Action Plan, in particular as regards the quality and labour market relevance of vocational training and education, and reinforce efforts to reduce early school-leaving and increase participation in vocational education and training through prevention, intervention and compensation measures.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Ensuring a sustainable integration of young people not in employment, education or training into the labour market • Promoting self-employment, entrepreneurship and business creation • Fostering adaptation of workers, enterprises and entrepreneurs to change
		(b) Investing in education, skills and life-long learning	<ul style="list-style-type: none"> • Reducing early school-leaving and promoting equal access to good quality early-childhood, primary and secondary education • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems;

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
ES7	7. Improve the employability of vulnerable groups, combined with effective child and family support services in order to improve the situation of people at risk of poverty and/or social exclusion, and consequently to achieve the well-being of children.	(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion • Integration of marginalised communities such as the Roma • Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest
FI3	3. Implement the ongoing measures to improve the labour market position of young people and the long-term unemployed, with a particular focus on skills development. Take further steps to improve the employment rate of older workers, including by reducing early exit pathways. Take measures to increase the effective retirement age taking into account the improved life expectancy.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Sustainable integration of young people not in employment, education or training into the labour market • Access to employment for job-seekers and inactive people • Self-employment, entrepreneurship and business creation; • Active and healthy ageing
FR2	2. Introduce further reforms to combat labour market segmentation by reviewing selected aspects of employment protection legislation, in consultation with the social partners in accordance with national practices, in particular related to dismissals; continue to ensure that any development in the minimum wage is supportive of job creation and competitiveness; take actions to increase	(b) Investing in education, skills and life-long learning	<ul style="list-style-type: none"> • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
	adult participation in lifelong learning.		
FR3	3. Adopt labour market measures to ensure that older workers stay in employment longer; improve youth employability especially for those most at risk of unemployment, by providing for example more and better apprenticeship schemes which effectively address their needs; step up active labour market policies and ensure that public employment services are more effective in delivering individualised support.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Active and healthy ageing • Sustainable integration of young people not in employment, education or training into the labour market • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility
HU3	3. Make the taxation of labour more employment-friendly by alleviating the impact of the 2011 and 2012 tax changes on low earners in a sustainable, budget-neutral manner, for example by shifting part of the tax burden to energy taxes and recurrent taxes on property. Strengthen measures to encourage women's participation in the labour market, particularly by expanding childcare and pre-school facilities.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Equality between men and women and reconciliation between work and private life
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
HU4	4. Strengthen the capacity of the Public Employment Service to increase the quality and effectiveness of training, job search assistance and individualised services, with particular regard for disadvantaged groups. Strengthen the activation element in the public work scheme through effective training and job search assistance. Implement the National Social (Roma) Inclusion Strategy, and mainstream it with other policies.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Equality between men and women and reconciliation between work and private life
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion • Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest • Promoting the social economy and social enterprises

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
HU6	6. Prepare and implement a national strategy on early school-leaving by ensuring adequate financing. Ensure that the implementation of the higher education reform improves access to education for disadvantaged groups.	(b) Investing in education, skills and life-long learning	<ul style="list-style-type: none"> • Reducing early school-leaving and promoting equal access to good quality early-childhood, primary and secondary education • Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest • Promoting the social economy and social enterprises

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
IE	Implement the measures laid down in Implementing Decision 2011/77/EU and further specified in the Memorandum of Understanding of 16 December 2010 and its subsequent supplements.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Sustainable integration of young people not in employment, education or training (NEET) into the labour market • Modernisation and strengthening of labour market institutions, including actions to enhance transnational labour mobility.
		(b) investing in education, skills and lifelong learning	<ul style="list-style-type: none"> • Reducing early school-leaving and promoting equal access to good quality early childhood, primary and secondary education
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
IT3	<p>3. Take further action to address youth unemployment, including by improving the labour market relevance of education and facilitating transition to work, also through incentives for business start-ups and for hiring employees. Enforce nationwide recognition of skills and qualifications to promote labour mobility. Take measures to reduce tertiary education dropout rates and fight early school leaving.</p>	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Sustainable integration of young people not in employment, education or training into the labour market • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Equality between men and women and reconciliation between work and private life • Modernisation and strengthening of labour market institutions, including actions to enhance transnational labour mobility

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
		(b) Investing in education, skills and life-long learning	<ul style="list-style-type: none"> • Reducing early school-leaving and promoting equal access to good quality early-childhood, primary and secondary education • Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems
LT2	2. Adopt legislation on a comprehensive pension system reform. Align the statutory retirement age with life expectancy, establish clear rules for the indexation of pensions, and improve complementary savings schemes. Underpin pension reform with active ageing measures.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Active and healthy ageing
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
LT3	3. Tackle high unemployment, in particular among youth, low-skilled and long-term unemployed, by focusing resources on active labour market policies while improving their efficiency. Enhance the effectiveness of apprenticeship schemes. Amend the labour legislation with regard to flexible contract agreements, dismissal provisions and flexible working time arrangements.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for jobseekers and inactive people, in particular the young, including local employment initiatives and support for labour mobility • Sustainable integration of young people not in employment, education or training into the labour market
		(b) Investing in education, skills and life-long learning	<ul style="list-style-type: none"> • Reducing early school-leaving and promoting equal access to good quality earlychildhood, primary and secondary education: • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion • Community-led Local Development (CLLD)
LT4	4. Increase work incentives and strengthen the links between the social assistance	(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion • Community-led Local

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
	reform and activation measures, in particular for the most vulnerable, to reduce poverty and social exclusion.		Development (CLLD)
LU2	2. Strengthen the proposed pension reform by taking additional measures to increase the participation rate of older workers, in particular by preventing early retirement, and by taking further steps to increase the effective retirement age, including through linking the statutory retirement age to life expectancy, in order to ensure the long-term sustainability of the pension system.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Modernisation and strengthening of labour market institutions, including actions to enhance transnational labour mobility • Active and healthy ageing
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
LU4	4. Continue efforts to reduce youth unemployment by reinforcing stakeholders' involvement, and by strengthening training and education measures, in particular for those with low education levels, with the aim of better matching young people's skills and qualifications to labour demand.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Sustainable integration of young people not in employment, education or training into the labour market • Modernisation and strengthening of labour market institutions, including actions to enhance transnational labour mobility
		(b) Investing in education, skills and life-long learning	<ul style="list-style-type: none"> • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems • Reducing early school leaving and promoting equal access to good quality early childhood, primary and secondary education

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
LV3	3. Take measures to reduce long-term and youth unemployment by fighting early school leaving, promoting more efficient vocational education and training and its apprenticeship component, enhancing the quality, coverage and effectiveness of active labour market policy and its training component and through an effective wage subsidy scheme.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility
		(b) Investing in education, skills and life-long learning	<ul style="list-style-type: none"> • Reducing early school-leaving and promoting equal access to good quality early-childhood, primary and secondary education • Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems
LV4	4. Tackle high rates of poverty and social exclusion by reforming the social assistance system to make it more efficient, while better protecting the poor. Ensure better targeting and increase incentives to work.	(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion • Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
		(d) Enhancing institutional capacity and efficient public administration	<p>interest</p> <ul style="list-style-type: none"> • Investment in institutional capacity and in the efficiency of public administrations and public services with a view to reforms, better regulation and good governance
LV7	7. Continue reforms in higher education, inter alia, by implementing a new financing model that rewards quality, strengthens links with market needs and research institutions, and avoids fragmentation of budget resources. Design and implement an effective research and innovation policy encouraging companies to innovate, including via tax incentives, upgrading infrastructure and rationalising research institutions.	(b) Investing in education, skills and lifelong learning	<ul style="list-style-type: none"> • Reducing early school-leaving and promoting equal access to good quality early-childhood, primary and secondary education • Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
MT2	2. Take action, without further delay, to ensure the long-term sustainability of the pension system, comprising an increase in the effective retirement age, including through a significant acceleration of the progressive increase in the statutory retirement age compared to current legislation and through a clear link between the statutory retirement age and life expectancy, and measures to encourage private pension savings. Take measures to increase the participation of older workers in the labour force and discourage the use of early retirement schemes.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Active and healthy ageing • Equality between men and women and reconciliation between work and private life, including stimulation of female employment in rural areas • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Self-employment, entrepreneurship and business creation
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion <ul style="list-style-type: none"> • Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest:
MT3	3. Take steps to reduce the high rate of early school leaving. Pursue policy efforts in the education system to match the skills required by the labour market. Enhance the provision and affordability of more	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Active and healthy ageing • Equality between men and women and reconciliation between work and private life, including

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
	childcare and out-of-school centres, with the aim of reducing the gender employment gap.		<p>stimulation of female employment in rural areas</p> <ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Self-employment, entrepreneurship and business creation
		(b) Investing in education, skills and life-long learning	<ul style="list-style-type: none"> • Reducing early school-leaving and promoting equal access to good quality early-childhood, primary and secondary education • Improving the quality, efficiency and openness of tertiary and equivalent education with view to increasing participation and attainment levels • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems and training systems

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active Inclusion • Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest
NL2	2. Take measures to increase the statutory retirement age, including linking it to life expectancy, and underpin these with labour market measures to support raising the effective retirement age, whilst improving the long-term sustainability of public finances. Adjust the second pension pillar to mirror the increase in the statutory retirement age, while ensuring an appropriate intra- and inter-generational division of costs and risks. Implement the planned reform in long-term care and complement it with further measures to contain the increase in costs, in view of an ageing population.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Active and healthy ageing • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion
NL3	3. Enhance participation in the labour market, particularly of older people, women, and people with disabilities and migrants, including by further reducing tax disincentives for second-income earners, fostering labour market transitions, and addressing rigidities.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Active and healthy ageing • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
			<ul style="list-style-type: none"> • Equality between men and women and reconciliation between work and private life
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion
PL3	<p>3. To reduce youth unemployment, increase the availability of apprenticeships and work- based learning, improve the quality of vocational training and adopt the proposed lifelong learning strategy. Better match education outcomes with the needs of the labour market and improve the quality of teaching. To combat labour market segmentation and in-work poverty, limit excessive use of civil law contracts and extend the probationary period to permanent contracts.</p>	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Sustainable integration of young people not in employment, education or training into the labour market • Equality between men and women and reconciliation between work and private life • Modernisation and strengthening of labour market institutions, including actions to enhance transnational labour mobility;

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
		(b) Investing in education, skills and life-long learning	<ul style="list-style-type: none"> • Improving the quality, efficiency and openness of tertiary and equivalent education with view to increasing participation and attainment levels • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems • Promoting equal access to good-quality early-childhood, primary and secondary education
PL4	4. Reinforce efforts to increase the labour market participation of women and raise enrolment rates of children in both early childcare and pre-school education, by ensuring stable funding and investment in public infrastructure, the provision of qualified staff, and affordable access. Tackle entrenched practices of early retirement to increase exit ages from the labour market. Phase out the special	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Active and healthy ageing • Sustainable integration of young people not in employment, education or training into the labour market • Equality between men and women and reconciliation between work and private life

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
	<p>pension scheme for miners with a view to integrating them into the general scheme. Take more ambitious, permanent steps to reform the KRUS to better reflect individual incomes.</p>	<p>(b) Investing in education, skills and lifelong learning</p>	<ul style="list-style-type: none"> • Improving the quality, efficiency and openness of tertiary and equivalent education with view to increasing participation and attainment levels • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems • Promoting equal access to good-quality early-childhood, primary and secondary education
<p>(c) Promoting social inclusion and combating poverty</p>		<ul style="list-style-type: none"> • Active inclusion • Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest 	

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
PT	Implement the measures as laid down in Implementing Decision 2011/344/EU and further specified in the Memorandum of Understanding of 17 May 2011 and its subsequent supplements.	(a) Promoting Employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, in particular of young people, including local employment initiatives and support for labour mobility • Sustainable integration of young people not in employment, education or training (NEET) into the labour market
		(b) Investing in education, skills and lifelong learning	<ul style="list-style-type: none"> • Reducing early school-leaving and promoting equal access to good quality early childhood, primary and secondary education: • Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment level • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion • Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest:
RO	Implement the measures laid down in Decision 2009/459/EC, as amended by Decision 2010/183/EU, together with the measures laid down in Decision 2011/288/EU and further specified in the Memorandum of Understanding of 23 June 2009 and its subsequent supplements, and in the Memorandum of Understanding of 29 June 2011 and its subsequent supplements.	(a) Promoting Employment and supporting labour mobility	<ul style="list-style-type: none"> • Sustainable integration of young people not in employment, education or training into the labour market • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility
		(b) Investing in education, skills and lifelong learning	<ul style="list-style-type: none"> • Reducing early school-leaving and promoting equal access to good quality early childhood, primary and secondary education • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
			<ul style="list-style-type: none"> • Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest • Active inclusion • Integration of marginalised communities such as the Roma
SE3	3. Take further measures to improve the labour market participation of youth and vulnerable groups, e.g. by improving the effectiveness of active labour market measures, facilitating the transition from school to work, promoting policies to increase demand for vulnerable groups and improving the functioning of the labour market. Review the effectiveness of the current reduced VAT rate for restaurants and catering services in support of job creation.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Sustainable integration of young people not in employment, education or training into the labour market • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Adaptation of workers, enterprises and entrepreneurs to change • Active and healthy ageing

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion • Community-led local development
SI2	2. Take urgent steps to ensure the long-term sustainability of the pension system, while preserving the adequacy of pensions, by: (i) equalising the statutory retirement age for men and women; (ii) ensuring an increase in the effective retirement age, including through linking the statutory retirement age to life expectancy; (iii) reducing early retirement possibilities; and (iv) reviewing the indexation system for pensions. Increase the employment rate of older workers also by further developing active labour market policies and lifelong learning measures.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility <ul style="list-style-type: none"> • Active and healthy ageing
		(b) Investing in education, skills and lifelong learning	<ul style="list-style-type: none"> • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion • Combating discrimination based on sex, racial or ethnic origin, • religion or belief, disability, age or sexual orientation; • Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
SI4	4. Adjust employment protection legislation as regards permanent contracts in order to reduce labour market segmentation, in consultation with social partners and in accordance with national practices. Further tackle the parallel labour market caused by student work.	N/A	N/A <i>[This CSR requires legislative changes which are not the subject of ESF support. It has not been addressed in the Commission Position Paper for Slovenia.]</i>
SI5	5. Improve the matching of skills with labour market demand, particularly of low-skilled workers and tertiary graduates, and continue reforms of vocational education and training.	(a) Promoting Employment and supporting labour mobility	<ul style="list-style-type: none"> • Modernisation and strengthening of labour market institutions, including actions to enhance transnational labour mobility
		(b) Investing in education, skills and life-long learning	<ul style="list-style-type: none"> • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems
SI7	7. Following consultation with social partners and in accordance with national practice, ensure that wage growth, including minimum wage adaptation, supports competitiveness and job creation.	N/A	N/A <i>[This CSR refers to social dialogue deliberations which are not subject of ESF support other than through capacity-building for stakeholders. It has not been addressed in the Commission Position Paper for Slovenia.]</i>

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
SK3	3. Further adjust the pay-as-you-go pension pillar, mainly by changing the indexation mechanism, introducing a direct link between the statutory retirement age and life expectancy and introducing a sustainability factor in the pension calculation formula reflecting demographic change. Ensure the stability and viability also of the fully funded pillar.	<ul style="list-style-type: none"> • (a) Promoting Employment and supporting labour mobility 	<ul style="list-style-type: none"> • Active and healthy ageing
SK4	4. Enhance the administrative capacity of public employment services with a view to improving the targeting, design and evaluation of active labour market policies to ensure more individualised employment services for the young, the long-term unemployed, older workers and women. Ensure the provision of childcare facilities. Reduce the tax wedge for low-paid workers and adapt the benefit system.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Sustainable integration of young people not in employment, education or training into the labour market • Equality between men and women and reconciliation between work and private life
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
SK5	5. Adopt and implement the youth action plan, in particular as regards the quality and labour market relevance of education and vocational training, including through the introduction of an apprenticeship scheme. Improve the quality of higher education by strengthening quality assurance and result orientation.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility • Sustainable integration of young people not in employment, education or training into the labour market • Equality between men and women and reconciliation between work and private life
		(b) Investing in education, skills and life-long learning	<ul style="list-style-type: none"> • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems • Improving the quality, efficiency and openness of tertiary and equivalent education with view to increasing participation and attainment level

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
UK3	3. Continue to improve the employability of young people, in particular those not in education, employment or training, including by using the Youth Contract. Ensure that apprenticeship schemes are taken up by more young people, have a sufficient focus on advanced and higher-level skills, and involve more small and medium-sized businesses. Take measures to reduce the high proportion of young people aged 18-24 with very poor basic skills.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Sustainable integration of young people not in employment, education or training into the labour market • Access to employment for job-seekers and economically inactive people, including local employment initiatives and support for labour mobility • Equality between men and women and better balance of work and private life
		(b) Investing in education, skills and lifelong learning	<ul style="list-style-type: none"> • Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems • Reducing early school-leaving and promoting equal access to good-quality early childhood, primary and secondary education
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion

MS	2012 CSRs	Thematic Objective in draft ESF Regulation Article 3	Investment Priorities under Thematic Objective in draft ESF Regulation Article 3
UK4	4. Step up measures to facilitate the labour market integration of people from jobless households. Ensure that planned welfare reforms do not translate into increased child poverty. Fully implement measures aiming to facilitate access to childcare services.	(a) Promoting employment and supporting labour mobility	<ul style="list-style-type: none"> • Sustainable integration of young people not in employment, education or training into the labour market • Access to employment for job-seekers and economically inactive people, including local employment initiatives and support for labour mobility • Equality between men and women and better balance of work and private life
		(c) Promoting social inclusion and combating poverty	<ul style="list-style-type: none"> • Active inclusion • Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest