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from: Secretary-General of the European Commission,  
signed by Mr Jordi AYET PUIGARNAU, Director

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to: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European  
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implementing the European Social Fund 2014 - 2020"

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**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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**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**

**INTRODUCTION**

The Europe 2020 Strategy for smart, sustainable and inclusive growth<sup>1</sup> sets targets to lift at least 20 million people out of poverty and social exclusion and increase employment of the population aged 20-64 to 75%. The flagship initiatives of the Europe 2020 Strategy, including the *European Platform against Poverty and Social Exclusion* and the *Agenda for New Skills and Jobs*, support efforts to reach these targets. The European Semester provides the framework for steering and monitoring Member States' economic and social reforms. The Open Method of Coordination on social protection and social inclusion has contributed to steering Member States' structural reforms in these areas. Promoting economic, social and territorial cohesion and combating social exclusion and discrimination are fundamental objectives of the European Union identified in the Treaty<sup>2</sup>. The Charter of Fundamental Rights of the European Union provides that EU institutions, as well as Member States when implementing EU law should respect personal, civic, political, economic and social rights.

José Manuel Barroso, President of the European Commission, highlighted in his 2012 State of the Union speech: *'It is precisely those European countries with the most effective social protection systems and with the most developed social partnerships that are among the most successful and competitive economies in the world.'*

However, the challenges posed by the crisis have led to growing risks of poverty and social and labour market exclusion in many countries.<sup>3</sup> Divergences within and between Member States are also increasing. This not only threatens the prospect of reaching the Europe 2020 targets and the competitiveness of Europe in a globalised world, it also risks widespread negative social and economic consequences as not just individuals, but society as a whole bears the social and economic costs of unemployment, poverty and social exclusion.<sup>4</sup>

Welfare systems have contributed to improving social outcomes but are confronted with the consequences of demographic change and of the financial and economic crisis. The resulting pressure on public budgets and the risk of structural labour market shortages in the future reinforce the need to modernise social policies to optimise their effectiveness and efficiency, and the way they are financed. It is essential to ensure the best use of existing resources and to avoid potential lasting adverse effects of the crisis, both in countries with serious fiscal constraints, as well as in the Member States that have more fiscal space. Future economic

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<sup>1</sup> Communication from the Commission, Europe 2020 – A strategy for smart, sustainable and inclusive growth, COM (2010) 2020 of 3 March 2010; European Council Conclusions of 17 June 2010

<sup>2</sup> Article 3 of the Treaty on the European Union

<sup>3</sup> The number of people at risk of poverty and social exclusion has increased since 2008 in 18 out of the 26 Member States for which data are available in 2011 (Eurostat)

<sup>4</sup> See European Commission Staff Working Document - *Evidence on Demography and Social Trends – Social Policies' Contribution to Inclusion, Employment and the Economy* SWD(2013)38

growth and competitiveness require investing in human capital, which lays the foundation for productivity and innovation<sup>5</sup>.

Welfare systems fulfil three functions: social investment, social protection and stabilisation of the economy. Social investment involves strengthening people's current and future capacities. In other words, as well as having immediate effects, social policies also have lasting impacts by offering economic and social returns over time, notably in terms of employment prospects or labour incomes. In particular, social investment helps to 'prepare' people to confront life's risks, rather than simply 'repairing' the consequences. Modernisation of social policies requires systematic introduction of ex-ante result orientation in financing decisions and a systematic approach of the role social policies play in the different stages in life: from education via work/unemployment to sickness and old-age.

Social policies often have two or even all three of the functions cited above, and these can be mutually reinforcing. Typically, the protection function during adverse periods enables previous investments made in human capital to be preserved. It would thus be misleading to allocate individual parts of a budget to a specific function. The investment dimension of a specific policy expenditure largely depends on its design features (conditionality, duration, etc.), on the specific national context (complementarity with other policies) and circumstances in time (economic cycle, growth path). For instance, childcare has a protection role, but it also has a significant investment dimension if well designed, i.e. enhancing the skills and inclusion of the individual. Sweden has one of the highest female employment rates in Europe due to family-friendly employment policies, generous parental leave, coupled with investment in universal provision of childcare.

Well-designed welfare systems combining a strong social investment dimension with the other two functions, protection and stabilisation, increase the effectiveness and efficiency of social policies, whilst ensuring continued support for a fairer and more inclusive society. In particular, the modernisation of social policies entails giving activation measures a more prominent role. This enables people to actively participate to the best of their abilities in society and the economy. Support schemes should provide an exit-strategy, so they should in principle be temporary. Conditionality to achieving an appropriate and specific goal (e.g. participation in training) is part of this. Support should be better targeted to those in need at the times they need it. Individualised and integrated services and benefits (e.g. provided through one stop shops) can enhance the effectiveness of social policies. Simplifying procedures can help people in need to access benefits and services more easily, also avoiding overlapping schemes and costs.

This Communication is accompanied by a Commission Recommendation on 'Investing in Children: breaking the cycle of disadvantage' and a series of Staff Working Documents. Together they form the 'Social Investment Package'. This provides a policy framework for redirecting Member States' policies, where needed, towards social investment throughout life, with a view to ensuring the adequacy and sustainability of budgets for social policies and for the government and private sector as a whole as also expressed by the European Parliament in its resolution on the 'social investment pact'<sup>6</sup>. This is in line with the AGS encouragement towards Member States to "*invest in job-rich and inclusive growth*" and the call to pursue the modernisation of social protection systems, ensuring their effectiveness, adequacy and

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<sup>5</sup> As underlined in the Communication from the Commission, A stronger European Industry for Growth and Economic Recovery, COM(2012) 582 of 10 October 2012.

<sup>6</sup> European Parliament resolution of 20 November 2012 on Social Investment Pact – as a response to the crisis

sustainability. The Package provides guidance to help reach the Europe 2020 targets by establishing a link between social policies, the reforms as recommended in the European semester to reach the Europe 2020 targets and the relevant EU funds. This also calls for improved measurement of poverty and greater timeliness of EU-wide social statistics that monitor trends and performance.<sup>7</sup>

The Package is fully complementary to the Employment Package<sup>8</sup>, which sets out the way forward for a job rich recovery, the White Paper on Pensions<sup>9</sup>, presenting a strategy for adequate, sustainable and safe pensions, and the Youth Employment Package<sup>10</sup>, which deals specifically with the situation of young people. It also builds on the regulatory framework proposed for the implementation of Cohesion policy in the next financial period 2014-2020 and in particular the scope of the European Social Fund (ESF) and the proposal to earmark at least 20% of the ESF in each Member State to promote social inclusion and confront poverty.

## **1. THE CHALLENGES**

### **Changing demographics**

From 2013 onwards, for the first time, the size of the population of working age in Europe will shrink, whilst the proportion of older people will expand rapidly. There are now four people to support one person over the age of 65, and this ratio is set to halve by 2040.

There are differences between countries, regions and sectors. Overall, the EU has experienced modest population growth in recent years, but a number of Member States, all in the Eastern part of the EU, have seen consistent declines in their populations over the past decade. Some disadvantaged regions, in which the population of marginalised communities is growing, face particular challenges.

Ageing, rising dependency ratios and a smaller productive population threaten the affordability and sustainability of public budgets for social policies.<sup>11</sup> The economic crisis has raised unemployment, decreased tax revenues and increased the number of people who need benefits, further threatening the sustainability of our social protection systems.

While the demographic challenge affects all Member States, there are large differences in healthy life years and life expectancies across the EU. This is due to a number of factors that determine health, including variations in living and working conditions, as well as in lifestyles. Differences in the accessibility to and quality of health care also contribute to this.

### **Room for efficiency gains in social policies**

The challenges posed by changing demographics have been aggravated by the crisis, putting pressure on Member States' budgets at a time when efforts to meet the Europe 2020 objectives need to be stepped up.

Since public spending on social policies, largely covering pensions and healthcare, comprises

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<sup>7</sup> See European Commission Staff Working Document - *Evidence on Demography and Social Trends – Social Policies' Contribution to Inclusion, Employment and the Economy* SWD(2013)38

<sup>8</sup> Communication from the Commission, Towards a job-rich recovery, COM(2012)173, 18 April 2012

<sup>9</sup> White Paper from the Commission, An Agenda for Adequate, Safe and Sustainable Pensions, COM(2012) 55, 16 February 2012

<sup>10</sup> Communication from the Commission, Moving Youth into Employment, COM(2012)727, 5 December 2012

<sup>11</sup> For a detailed assessment of the budgetary implications of an ageing population please refer to the 2012 Ageing Report – at [http://ec.europa.eu/economy\\_finance/publications/european\\_economy/2012/pdf/ee-2012-2\\_en.pdf](http://ec.europa.eu/economy_finance/publications/european_economy/2012/pdf/ee-2012-2_en.pdf)

around 29.5% of GDP on average in the EU, it is scrutinised closely in consolidation efforts. Many reforms must focus on making efficiency gains, paying attention that reforms are well-designed in order to avoid negative repercussions on poverty levels, productivity and economic growth, health of the population and social cohesion.

Securing the sustainability and adequacy of social policies requires that Member States find ways to raise efficiency and effectiveness, whilst addressing key demographic and societal changes.<sup>12</sup> In some cases, the multiplicity of benefits, agencies, and conditions for entitlement leads to extra administrative costs and low take-up by those most in need. Also insufficient monitoring leads to unnecessary spending. Some cash benefits and social services are also poorly targeted and do not reach the people in need of assistance.<sup>13</sup>

Member States with similar levels of spending on social policies achieve varying results in terms of poverty, employment and health outcomes. This suggests there is room for improvement in the way resources are used.<sup>14</sup>

The Annual Growth Survey (AGS) launching the 2013 European Semester stipulates that the on-going process of restructuring our economies is disruptive, politically challenging and socially difficult, but that it is necessary to lay the foundations for future growth and competitiveness that will be smart, sustainable and inclusive. The AGS also underlined the need for reforms of healthcare systems with the twin aim to ensure access to high quality healthcare and to use public resources more efficiently. The need to step up reform has already been reflected in the 2012 country specific recommendations (CSRs) calling for prolonging working lives and incentives to work, providing better (employment) opportunities for women and young people, improving the effectiveness of social transfers and assistance systems, and ensuring access to quality services.

### **Private and third sector resources to complement public efforts**

Resources for social policies are not limited to those from the public sector. A non-negligible part comes from people and families. In addition, non-profit organisations provide social services on a substantial scale. These range from homeless shelters, support for the elderly, people with disabilities, to advice centres on social benefits in general. Social enterprises<sup>15</sup> can complement public sector efforts, and be pioneers in developing new markets, but they need more support than they are receiving now<sup>16</sup>. The for-profit parts of the private sector would need to be further encouraged to use the potential of social investment through, for instance, a healthy and secure social and working environment. This is not limited to Corporate Social Responsibility alone and includes for example on the job training, in-house

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<sup>12</sup> See European Commission Staff Working Document – *Evidence on Demography and Social Trends – Social Policies' Contribution to Inclusion, Employment and the Economy* SWD(2013)38

<sup>13</sup> See European Commission Staff Working Document – *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* SWD(2013)39

<sup>14</sup> See European Commission Staff Working Document - *Evidence on Demography and Social Trends – Social Policies' Contribution to Inclusion, Employment and the Economy* SWD(2013)38

<sup>15</sup> The social economy, also referred to as the 'third sector', refers to non-government actors such as community organisations, voluntary organisations, and social enterprises that undertake activities for social benefit. Social enterprises are businesses with primarily social objectives, and where surpluses are usually reinvested into the business or in the community, rather than maximising profit for owners and shareholders.

<sup>16</sup> As underlined in the Social Business Initiative Communication from the Commission, Social Business Initiative, Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation COM(2011)682 of 25 October 2011

childcare facilities, health promotion and accessible and family-friendly workplaces.

In the social area, Member States still make insufficient use of more innovative approaches to financing, including by using participation of the private sector and financial engineering through instruments such as micro-finance, policy based guarantees and Social Investment Bonds<sup>17</sup> which should strive for budgetary savings.

### **Need to invest in human capital throughout life and ensure adequate livelihoods**

If the Europe 2020 targets are to become a reality, remedial action needs to be taken across a broad front, and to cover the challenges faced at various stages of people's lives.

Children who grow up in poverty often stay in poverty for their entire lives. For example, significant disadvantages faced in childhood in education<sup>18</sup> and health are often compounded over life. Addressing health determinants throughout people's lives is therefore important. Poor performance in school translates directly into reduced future job opportunities and earnings. For example, Roma children are particularly at risk of being socially and economically marginalised and discriminated against. Only half of them have access to early childhood education and care (ECEC), around half of the EU average, and in several Member States less than 10% complete secondary school, resulting in low employment rates. In the Czech Republic, only 2 in 10 Roma living in marginalised localities have some formal training or secondary education that predestine their career path.<sup>19</sup>

The need for investment in human capital starts at very early age and continues throughout life. The youth unemployment rate currently stands at 23.4% and is rising. At the same time, there is lack of progress in reducing early school leaving and failure to complete third level education. Furthermore, a worryingly high proportion of young people are not in employment, education or training (NEET), representing 12.9% of young Europeans (15-24) or 7.5 million in total in 2011. The result is that in some Member States young people are becoming relatively more at risk of poverty than the elderly. Such risks and lack of employment are also a serious concern in many rural areas in the EU where young people find it more difficult to enter the labour market or find jobs compared to their contemporaries living in urban areas and big cities.<sup>20</sup>

Prime-age and older workers are affected by the rapid rise in long-term unemployment. This puts them at risk of poverty and presents a danger to their employability, the stability of their families, and their mental and physical health.

In addition to the young, (older) women, unemployed people, disabled people, and also migrants living in Europe face hardship. They experience very high levels of unemployment (19.6% in 2011, compared to 9.7% on average). The employment rate of people with disabilities is about 25% lower than for people without disabilities. Furthermore, the risk of poverty and social exclusion of foreign-born people aged 25-54 exceeds on average that of others by more than 10 percentage points across the EU as a whole<sup>21</sup>. The gap in the risk of

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<sup>17</sup> With a social impact bond, typically a private investor funds a social service provider to implement a social programme in return for a promise ('bond') from the public sector to reimburse the initial investment and pay a rate of return if the programme achieves predefined social outcomes.

<sup>18</sup> For example limited access to high quality education, limited access to additional learning support, lack of parental support or access to additional (non-formal) learning opportunities etc.

<sup>19</sup> World Bank, Human Development Sector Unit, Europe and Central Asia Region : Europe and Central Asia Roma Inclusion: An Economic Opportunity for Bulgaria, Czech Republic, Romania and Serbia Policy Note , (September 30, 2010)

<sup>20</sup> See Commission Staff Working Document SWD(2012)44 final of 7.3.2012

<sup>21</sup> Source: Eurostat, EU-SILC 2008

poverty after social transfer between migrants and EU citizens is also significant, with 8 percentage points<sup>22</sup>. Further, children with a migrant background have a higher risk of leaving school early.

Furthermore, labour markets are not yet inclusive. In some countries, the rise in the rate at which women and those with a migrant background are entering the labour market is very slow and average hours worked remains low. Labour market segmentation and polarisation give rise to significant market inequalities in a number of countries, and tax and benefit systems can create disincentives to work, especially for those on low incomes or for second-earners. Practices of early retirement and gaps between effective and statutory retirement age lower economic activity.

For many people, their current job is not enough to lift their families out of poverty. The working poor represent a third of adults of working age at risk of poverty.<sup>23</sup>

Despite efforts to modernise welfare systems, progress is uneven across the EU, and in a number of Member States social policies too often fail to prevent parts of their populations from slipping into poverty and social exclusion, and/or becoming long-term unemployed. In the absence of social protection, poverty levels could be up to twice as high; nonetheless, more and more people either receive inadequate benefits or are not covered at all. More and more households are experiencing financial distress,<sup>24</sup>

Inequalities in disposable income have widened in some countries, while at the same time absolute living standards for many already in vulnerable positions have fallen disproportionately. This is at odds with the social rights of citizens to live a life in dignity.<sup>25</sup> For example, according to an estimate for 2009<sup>26</sup>, there could be as many as 410.000 homeless people in the EU on any given night. This figure is rising in most Member States and many more people are at imminent risk of eviction.<sup>27</sup>

### **Addressing the gender dimension**

The particular challenges posed by continued gender disadvantage must be tackled in a more coherent manner.<sup>28</sup> Overall 12 million more women than men in the EU are living in poverty. In addition to women earning lower wages, they also have a lower participation rate in the labour force and work fewer hours, partially caused by unpaid household, childcare and long-term care tasks, specifically:

- Women's activity rate is still 16.4% below that of men, reflecting persistent gender divisions in household responsibilities (64.9% against 77.6% for the 15-64 age bracket in 2011);
- A higher proportion of women working part time leading to 17.0% lower average weekly hours worked by women (33.7 hours as against 40.6 in 2011);

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<sup>22</sup> Source: Eurostat, EU-SILC 2008

<sup>23</sup> EU Employment and Social Situation Quarterly Review, December 2012

<sup>24</sup> Financial distress is defined as households having to draw on savings or run into debt to cover current expenditures

<sup>25</sup> Also see the Charter of Fundamental Rights of the European Union which in its Chapter III on Equality establishes the rights of the child (Art 24) and of the elderly (Art 25) and refers too to the equality between men and women (Art 23) and to the integration of persons with disabilities (Art 26)

<sup>26</sup> Following the ETHOS definition: <http://www.feantsa.org/files/freshstart/Toolkits/Ethos/Leaflet/EN.pdf>

<sup>27</sup> "A social inclusion roadmap for Europe 2020", H. Frazer, E. Marlier, I. Nicaise, 2010

<sup>28</sup> See European Commission Staff Working Document – *Evidence on Demography and Social Trends – Social Policies' Contribution to Inclusion, Employment and the Economy* SWD(2013)38

- A gender pay gap of 16.2% (2010, in average hourly earnings), which 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.

Taking this into consideration, women's total earnings gap can be estimated to be more than 40% below those of men on average.<sup>29</sup> As gender inequality runs through an individual's entire life and its negative effects cumulate over time, this results in for instance lower GDP, lower social security contributions and higher poverty among older women, with 18% of women of 65 years and over being at risk of poverty, compared with 13% of men. Having a disadvantaged background or belonging to an ethnic minority compounds these gender inequalities.

## 2. WHAT IS NEEDED? FOCUS ON SIMPLE, TARGETED AND CONDITIONAL SOCIAL INVESTMENT

Despite large differences between Member States, all are confronted with structural, social and demographic challenges. Those that moved towards a growth model including a social investment approach in their social policies early, consistently, and before the crisis have more inclusive growth than the others.<sup>30</sup> Modernising social policies is a matter of common concern at EU level, as ineffective social policies in one country can have consequences for others, particularly within the Eurozone. Insufficient investment in social policies that strengthen human capital development, for instance in early childhood education and care, is manifested in lower educational levels and overall lower skill development in some Member States.<sup>31</sup> This can contribute to explaining differences in economic competitiveness between Member States and the current disequilibria observed in the EMU as poor education and skills lead to a lower-quality and less-productive workforce. In Member States with reduced economic competitiveness, this may also result in a tendency for the high skilled to leave their country of origin to find work elsewhere, further reducing productive potential.

Faced with structural long-term challenges, Member States need to adapt to ensure the adequacy and sustainability of their social systems and their contribution to stabilising the economy. If a person can temporarily not find work, the focus should be on improving their capabilities with a view to them returning to the labour market. This needs to be done through a targeted approach focused on the individual needs and delivered in the most cost-effective way.

Enabling individuals to live up to their full potential to take part in social and economic life in society entails supporting people at critical junctions in their lives. This starts with investing in children and youth, and continues thereafter. Social innovation must be an integral part of necessary adjustments by testing new policy approaches and selecting the most effective ones.

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<sup>29</sup> Based on Commission calculations

<sup>30</sup> See European Commission Staff Working Document – *Evidence on Demography and Social Trends – Social Policies' Contribution to Inclusion, Employment and the Economy* SWD(2013)38

<sup>31</sup> See OECD (2012) *Starting Strong III: A quality toolbox for Early Childhood Education and Care*", OECD, Paris - for evidence on how pre-primary education policies affected PISA results (2009), and the divergence between Member States in investing in these policies

## 2.1. Increase the sustainability and adequacy of social systems through simplification and better targeting

To meet the Europe 2020 targets, a new approach is needed, recognising the budget constraints and demographic challenges that Member States face. Social policies need to be both adequate and fiscally sustainable, as these are two sides of the same coin. This implies first of all using the available resources more efficiently and effectively, through simplifying, better targeting and considering conditionality when designing policies. Both universalism and selectivity need to be used in an intelligent way. For example, the pre-school that is widely accessible to children, as for instance in France, has demonstrated to have a sizeable and persistent positive effect on a child's ability to succeed in school and, in the long term, obtain higher wages in the labour market.

The Staff Working Document on Investing in Health<sup>32</sup> presents how smart investments in health can lead to better health outcomes, productivity, employability, social inclusion and the cost-efficient use of public resources, contributing to the fiscal sustainability of health systems<sup>33</sup>, investing in human capital and equity in health.<sup>34</sup>

The impact of spending should be further maximised by increased efforts to reduce fraud and administrative burdens for users and providers. The financing structure can be strengthened through improving tax collection, broadening tax bases, critically reviewing tax expenditure items and making the tax structure more growth-friendly, e.g. through environmental taxes. Lastly, social policies should be better targeted towards those most in need, ensuring better take-up rates to improve adequacy and sustainability at the same time.

### **The Commission urges Member States to:**

- Better reflect social investment in the allocation of resources and the general architecture of social policy. This means putting greater focus on policies such as (child)care, education, training, active labour market policies, housing support, rehabilitation and health services. Improve the sustainability of the health systems.<sup>35</sup> Financing structures should be improved, for instance, through efficient revenue collection, broadening of tax bases and making the tax structure more growth-friendly, avoiding negative impacts on labour demand. Progress should be reported on in National Reform Programmes (NRPs);
- Simplify benefit systems and their administration for users and providers, reduce administrative burdens as well as fraud and increase take up. This could be achieved, for example, by setting up one-stop-shops and avoiding a proliferation of different types of benefits for a single contingency. Improve targeting of social policies to ensure that those most in need receive adequate support while reducing the burden on public finances.

### **The Commission will support Member States by:**

<sup>32</sup> See European Commission Staff Working Document – *Investing in Health* SWD(2013) 43

<sup>33</sup> Council Conclusions, 3054th Council meeting Economic and Financial Affairs Brussels, 7 December 2010

<sup>34</sup> Council Conclusions on Common Values and Principles in European Union Health Systems (2006/C 146/01)

<sup>35</sup> This should be based on the Joint Report on Health Systems by the Economic Policy Committee and the Commission and on the Member States' cooperation in the Council's Reflection Processes on health systems and on chronic disease

- Monitoring, in the framework of the European Semester, the efficiency and effectiveness of social systems and their emphasis on social investment, with a view to also improving adequacy and sustainability. Following the mandate from the Council<sup>36</sup> and as announced in its 2013 Work Programme, the Social Protection Committee (SPC) will work on the financing of social protection systems and efficiency and effectiveness of social protection expenditure. This will include developing a methodology to assist in this by the end of 2013. This work will be based on analysing and sharing best practices in the context of the Open Method of Coordination on social protection and social inclusion (Social OMC);
- Setting up, in the course of 2013, an expert panel to provide independent advice on effective ways of investing in health<sup>37</sup>.

## 2.2. Pursue activating and enabling policies through targeted, conditional and more effective support

Action is needed by both governments and employers in Member States to further increase labour force participation specifically by removing remaining obstacles to full participation, and to increase job creation and demand for labour.

In addition to the policy lines set out in the Employment Package and in the ‘Rethinking Education’ Package<sup>38</sup> focusing on the demand and supply sides of the labour market, this means investing in social policies, services and cash benefits which both activate and enable. Social investment should focus on the outcome for the individual and society at large. Support must offer individuals an exit strategy, be granted for as long as needed, and so in principle be temporary in nature. In certain cases, social services are more supportive than cash benefits. In addition, certain kinds of support should be reciprocal: conditional upon the individual achieving an appropriate and specific goal to the best of his/her abilities, as often done e.g. regarding unemployment benefits.

The implementation of the Active Inclusion Recommendation<sup>39</sup> and guidance provided in this Package<sup>40</sup> is key in this respect. Measures must match the need of the individual rather than be tied to the nature of the benefit or the ‘target group’ a person happens to be in. One-stop shops and individual contracts are examples of a simplified approach that matches people’s needs. Setting reference budgets can support the implementation of this Recommendation.<sup>41</sup>

Tax and benefit systems should make work pay and social policies should also secure adequate livelihoods. Barriers to women’s and other underrepresented workers’ participation in the labour market should be addressed. There needs to be early intervention, complemented

<sup>36</sup> EPSCO Council of 17-02-2012: "undertake work on the financing of the social protection systems, inviting other relevant committees to take part in this important work".

<sup>37</sup> [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.

<sup>38</sup> Commission Communication – 'Rethinking Education: Investing in skills for better socio-economic outcomes'. COM(2012)669, 20 November 2012.

<sup>39</sup> 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

<sup>40</sup> See European Commission Staff Working Document – *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* SWD(2013)39

<sup>41</sup> Reference budgets 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.

by enabling access to basic services, such as basic payment accounts, internet, transport<sup>42</sup>, childcare, education and health. Stimulating "best-offer pricing"<sup>43</sup> options for consumer products and services and improving financial inclusion is another part of this effort. Implementation of the legislative "Bank account" package including measures to provide a payment account with basic features for all consumers in the EU, which follows the 2011 Recommendation on access to a basic payment account,<sup>44</sup> will be key.

Social investment plays a particular role for those people that are disproportionately affected by unemployment, poverty, bad housing and poor health conditions and discrimination. For example, many Roma live in extreme marginalisation and in very poor social-economic circumstances. This requires policies that target their needs and offer integrated support. Confronting homelessness with a focus on prevention and early intervention can result in considerable savings on emergency housing provision, healthcare and preventing crime. This also entails reviewing regulations and practices on eviction.

Innovation is an essential element of social investment policy since social policies require constant adaptation to new challenges. This means developing and implementing new products, services and models, testing them, and favouring the most efficient and effective. Social policy innovators need an enabling framework for testing and promoting new finance mechanisms, for instance, and measuring and evaluating the impact of their activities.

Social policy innovation needs to be upscaled, embedded into policy making, and connected to priorities such as the implementation of Country Specific Recommendations, including through the use of the ESF.

Social enterprises together with the third sector can complement public sector efforts, and be pioneers in developing new services and markets for the citizens and public administrations, but they need skilling and support. It is important for Member States to provide social entrepreneurs with support schemes, incentives for start-ups and put in place an enabling regulatory environment<sup>45</sup>. Examples of successful projects and orientations for further use of EU funds, notably the ESF, are included in this Package.<sup>46</sup>

**The Commission urges Member States to:**

- Fully implement the Commission Recommendation on Active Inclusion (2008) without further delay, including where applicable through the use of the ESF and ERDF, integrating its three pillars: adequate income support, inclusive labour markets and enabling services. Put in place legal frameworks that ensure access to efficient, high quality and affordable social services that respect the EU rules. Based upon the methodology that the Commission in cooperation with the SPC will develop, establish reference budgets to help designing efficient and adequate income

<sup>42</sup> See also the EU regulatory framework concerning passenger rights and public transport services, Regulation (EU) No 1177/2010

<sup>43</sup> The lowest price that a consumer could pay for a specified good or service, including, where appropriate, by purchasing 'bundled' goods or services

<sup>44</sup> Commission Recommendation 2011/442/EU on access to a basic payment account, 18.7.2011,

<sup>45</sup> The EU State aid rules need to be respected (and the possibilities offered e.g. by the General block exemption Regulation 800/2008 or *de minimis* aid Regulation 1998/2006 could be used)

<sup>46</sup> See Commission Staff Working Document – *Social Investment through the European Social Fund* SWD(2013)44

support that takes into account social needs identified at local, regional and national level<sup>47</sup>. Progress on all of these should be reflected in the NRPs;

- Close the gender pay gap and address other barriers to women's and other underrepresented workers' participation in the labour market, including by encouraging employers to address workplace discrimination and offer reconciliation measures (such as childcare services), adapted workplaces, including ICT-based solutions, eAccessibility, diversity management, programmes for up-skilling and training, for the recognition of skills and qualification as well as mobility and development of consecutive careers. This should be achieved through means such as labour market regulations, parental leave regulations, and fiscal incentives. Action should be taken to ensure that taxation and benefit systems are aligned to make work pay (tapered benefit thresholds or targeted in-work fiscal incentives). The ESF, ERDF, the European Integration Fund (EIF), and European Migration and Asylum Fund should be made use of to achieve this;
- Confront homelessness through comprehensive strategies based on prevention, housing-led approaches and reviewing regulations and practices on eviction, taking into account the key findings of the guidance on confronting homelessness provided in this Package;
- Make use of the Fund for European Aid to the Most Deprived (FEAD) as appropriate to address material deprivation and homelessness, including through the support of accompanying measures promoting social inclusion;
- Implement the Commission Recommendation on access to a basic payment account.<sup>48</sup> Stimulate best-offer pricing options for consumer products and services and improve financial inclusion;
- Develop concrete strategies for social innovation, such as public-private-third sector partnerships, ensure adequate and predictable financial support, including microfinance, and provide for training, networking and mentoring in order to support evidence-based policies. Fully take advantage of ESF, ERDF, EAFRD, EIF and PSCI funding opportunities to do this and to scale up successful projects. Prioritise social policy innovation in the implementation of relevant CSRs and report this through the NRPs;
- Support social entrepreneurs<sup>49</sup> by providing incentives for start-ups, and their further development, by expanding their knowledge and networks and providing them with an enabling regulatory environment in line with the Social Business Initiative<sup>50</sup> and the Entrepreneurship 2020 Action Plan<sup>51</sup>;

<sup>47</sup> As stipulated in the common principles on active inclusion adopted by the Council on 12 December 2008.

<sup>48</sup> Commission Recommendation 2011/442/EU on access to a basic payment account, 18.7.2011, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:190:0087:01:EN:HTML>

<sup>49</sup> The 'Social Entrepreneurship Axis' of the Programme for Social Change and Innovation (worth EUR 90 m) supports the development of social investment market and facilitates access to finance for social enterprises by making available equity, quasi-equity, loan instruments and grants.

<sup>50</sup> Communication from the Commission, Social Business Initiative, Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation COM (2011) 682 of 25 October 2011

<sup>51</sup> Communication from the Commission, Entrepreneurship 2020 Action Plan, COM(2012) 795, 9 January 2013.

- Explore and develop innovative ways of securing additional private financing for social investment, for instance through public private partnerships.

**The Commission will support Member States by:**

- Monitoring reforms towards active inclusion<sup>52</sup> in the framework of the European Semester, developing a methodology for reference budgets in 2013 and monitoring the adequacy of income support, using the abovementioned reference budgets once these are developed together with the Member States;
- Clarifying to public authorities and service providers how EU rules on State aid, internal market and public procurement<sup>53</sup> apply to social services, through an updated Guide<sup>54</sup> and regular exchanges of information with stakeholders;
- Preparing a Recommendation on best practices for Roma inclusion, building on Member States' experiences and reporting annually on progress in the implementation of National Roma Integration Strategies within the European Semester. Facilitating the inclusion of Roma through the exchange of good practices, as well as the development of transnational cooperation, through the Network of National Roma Contact Points;
- Presenting a legislative initiative to improve access to basic payment accounts, enhance the transparency and comparability of bank fees and facilitate bank account switching;
- Making people more informed of their social rights through more user-friendly Social Protection Guides, and help setting up services for people to keep track of their pension rights. In addition the Commission will help to prevent discrimination on the basis of nationality, reduce the obstacles mobile workers face through a Directive that aims at a better application and enforcement of free movement rights;
- Providing guidance in 2013 to Member States on how to use social policy innovation in implementing CSRs. This guidance will include examples of how to use the European Structural and Investment (ESI) Funds;
- Presenting a report in 2013 on the implementation of the Communication 'Solidarity in Health: Reducing Health Inequalities in the EU'<sup>55</sup>.

### **2.3. Social Investment throughout the individual's life**

Support should target specific needs arising in life: from childhood, youth and the transition from school to work, parenthood, from the beginning to the end of one's career to old age. This means adapting integrated services, cash benefits and assistance to the critical moments in the life of a person, and preventing hardship from materialising later.

The Commission Recommendation on "Investing in Children: breaking the cycle of disadvantage"<sup>56</sup>, part of this Package, is a clear illustration of how targeted social investment

<sup>52</sup> See footnotes 38 and 39

<sup>53</sup> The proposals of the Commission for a directive on public procurement (COM(2011) 896 final) and for a directive on procurement by entities operating in the water, energy, transport and postal services sectors (COM(2011) 895 final) are currently under negotiation.

<sup>54</sup> Guide to the application of the European Union rules on state aid, public procurement and the internal market to services of general economic interest, and in particular to social services of general interest

<sup>55</sup> Commission Communication: "Solidarity in Health: Reducing Health Inequalities in the EU"; COM(2009) 567 final.

can be part of a rights based policy founded on universality and increase equality of opportunity.

Focusing on children is vital for a sustainable, efficient and competitive knowledge economy and an intergenerational fair society. The adequacy of future pensions depends on the human capital of those who are today children. The increase in life expectancy and a shrinking active population, if unbalanced, could lead to a structure of spending skewed towards old-age benefits, to generally higher government budgets and fewer resources for children and youth. There is broad consensus that early and good quality childhood education and care (ECEC) is an efficient means of preventing early school leaving and improving future academic performance, health, future employment outcomes and social mobility.

Breaking the cycle of disadvantage across generations implies mobilising a range of policies, supporting children themselves, but also their families and communities. Addressing this involves a combination of cash and in kind benefits, equal access to quality education, reducing early school leaving, eliminating school segregation and the misuse of special needs education.

Investing in health, starting from an early age, allows people to remain active longer and in better health, raises the productivity of the work force and lowers the financial pressure on health systems. Health promotion and preventive health care are particularly important throughout life. In this context, it is also important to highlight the advantages deriving from investing in health and safety at work.<sup>57</sup>

The European Commission's Youth Employment Package<sup>58</sup> responds to the current situation of high youth unemployment. It proposes schemes ensuring that every young person receives a good quality offer of employment, continued education and training, an apprenticeship or a traineeship within four months from becoming unemployed or leaving formal education. This 'Youth Guarantee' improves employment security at young age through fostering school-to-work transitions. It should be complemented by opportunities to improve skills through lifelong learning policies. The proposed Erasmus for All programme<sup>59</sup> will also help young people get training and skills that can increase their personal development, gain new skills and language abilities and improve their overall job prospects.

Later in life, health and active ageing policies enable people to make the most of their potential. The contributions of older people to society as carers for others or volunteers are often overlooked, and they should be given adequate support to pursue this. The 2012 European Year on Active Ageing and Solidarity between Generations has increased awareness of the contribution that older people make to society and has given political momentum to policy initiatives, for example the new Federal Plan for Senior Citizens in Austria.

This Package includes examples of how the need for long-term care can be confronted through prevention, rehabilitation and the creation of more age-friendly environments, and by

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<sup>56</sup> See Commission Recommendation – Investing in Children – Breaking the Cycle of Disadvantage C(2013) 778

<sup>57</sup> COM(2007) 62 final of 21 February 2007

<sup>58</sup> Communication from the Commission, Moving Youth into Employment, COM (2012), 727, 5 December 2012

<sup>59</sup> Commission Communication – "Erasmus for All: The EU Programme for Education, Training, Youth and Sport" COM(2011) 787, 23 November 2011

developing more efficient ways of delivering care<sup>60</sup>. The widespread shortage of a health and long-term care workforce should also be addressed through incentives for boosting employment in ‘white coat jobs’ and improving working conditions in this area. Accessible and affordable transport and adapted housing opportunities also allow older and disabled people to remain in charge of own lives for as long as possible and reduce the need for long-term care.

**The Commission urges Member States to:**

- Implement the Recommendation on 'Investing in Children: breaking the cycle of disadvantage' in an integrated way through a combination of cash and in kind benefits, and access to quality early education, health and social services. Address childhood inequalities through eliminating school segregation and the misuse of special needs education. Make early childhood education and care (ECEC) more visible and available, in line with the Barcelona targets<sup>61</sup> on childcare and the EU targets on ECEC<sup>62</sup>. Report on progress in NRPs. Use the ESF, ERDF and the EAFRD to promote access to health and social services and to ECEC;
- Implement the Recommendation on ‘Policies to Reduce Early School Leaving’ and develop evidence-based and comprehensive policies against early school leaving which encompass prevention, intervention and compensation measures<sup>63</sup>;
- Use the Guiding Principles for Active Ageing and Solidarity between Generations<sup>64</sup> and the active ageing index<sup>65</sup>, which monitors older people in employment, their social participation, and independent living and the opportunities offered by the European Innovation Partnership on Active and Healthy Ageing<sup>66</sup> to assess the extent to which older people can realise their potential.

**The Commission will support Member States by:**

- Improving longitudinal data collection, with a special focus on children, to better inform the development and monitoring of social policies with a life course approach. Reporting on progress in the Employment and Social Developments in Europe report;
- Testing the effectiveness of conditional cash transfers for supporting ECEC, through a research project financed by PROGRESS;

<sup>60</sup> See Commission Staff Working Document – *Long-Term Care in Ageing Societies - Challenges and Policy Options* SWD(2013)41

<sup>61</sup> In 2002, at the Barcelona Summit, the European Council set the targets of providing childcare by 2010 to (1) at least 90% of children between 3 years old and the mandatory school age and (2) at least 33% of children under 3 years of age

<sup>62</sup> By 2020, at least 95 % of children between four years old and the age for starting compulsory primary education should participate in early childhood education. Council Conclusions of 12 May 2009 on a strategic framework for European cooperation in education and training (ET 2020), Annex I to the conclusions (OJ C 119, 28.5.2009, p. 7)

<sup>63</sup> Council Recommendation of 28 June 2011 on policies to reduce early school leaving, OJ 2011/C 191/01

<sup>64</sup> Council conclusions of 6 December 2012

<sup>65</sup> European Commission and UNECE (2013 forthcoming) Policy brief - Active Ageing Index, available from: <http://europa.eu/ey2012>

<sup>66</sup> The European Innovation Partnership on Active and Healthy Ageing’s target is to increase the average healthy lifespan of EU citizens by two years by 2020. It is part of the flagship initiative ‘Innovation Union’ of the Europe 2020 strategy.

- Working together with the SPC in 2013 on a report on long-term care policies to support healthy and active ageing and raise the capacity for independent living of people of all ages, using all the potential of new technologies, including e-health, and monitoring progress towards sustainable, adequate social protection against long-term care risks. The Commission will also develop a "policy makers' manual" for Member States to assist in designing long-term care strategies, based upon work that will be carried out in 2013-2014 by the Institute for Prospective Technological Studies (IPTS) of the European Commission's Joint Research Centre (JRC).

### 3. GUIDANCE FOR THE USE OF EU FUNDS 2014-2020

The EU budget should be "*a catalyst for growth and jobs across Europe, notably by leveraging productive and human capital investments*".<sup>67</sup> However, the share of EU resources allocated by Member States on employment, human capital development, health and social policies - notably through the ESF - has decreased since 1989. This is why the Commission has proposed for the period 2014-2020 that at least 25% of cohesion policy funding should be allocated to human capital and social investment, i.e. investment in people by the ESF. Moreover, it has proposed that at least 20% of the total ESF resources in each Member State should be allocated to the thematic objective 'promoting social inclusion and combating poverty'.

Over the 2007-2013 programming period, the European Social Fund has so far reached over 50 million people, including over 4.5 million unemployed and 5 million inactive people in 2011 alone. It did so by providing €75 billion to help people fulfil their potential by giving them better skills and better job prospects. Its programmes have helped to cushion the negative impacts of the crisis, to preserve jobs and to prepare for an upswing. € 18 billion has been made available for social inclusion measures from the European Regional Development Fund, principally supporting education, health and social infrastructure investments.

The European Structural and Investment (ESI) Funds<sup>68</sup>, in particular the ESF, 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) are important instruments for the Member States in implementing the strategy set out in the Social Investment Package. Financial support from cohesion policy, which has as its objective the strengthening of economic, social and territorial cohesion throughout the Union, will continue to be an important tool during the programming period 2014-2020 for meeting the Europe 2020 objectives, together with the necessary reforms and modernisation identified in this Communication.

To support inclusive growth, the Commission has urged Member States to ensure that their employment, human capital development, modernisation of public services, territorial investment and social inclusion policies reflect the CSRs and the underlying analysis of the main challenges identified in the SWDs that assess national reform programmes and stability programmes<sup>69</sup>. Funding under the European Social Fund<sup>70</sup> can be complemented by further financing from the ERDF, notably for investing in health, social, childcare, housing and

<sup>67</sup> Conclusions of the European Council (7-8 February 2013)

<sup>68</sup> European Social Fund (ESF), European Regional Development Fund (ERDF), Cohesion Fund, European Agricultural Fund for Rural Development (EAFRD), European Maritime and Fisheries Fund.

<sup>69</sup> [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm)

<sup>70</sup> See Commission Staff Working Document – *Social Investment through the European Social Fund* SWD(2013)44

education infrastructure, as well as support for physical and economic regeneration of deprived urban and rural communities. These investments can impact social policy reform, like the desegregation of educational facilities, the shift to community based care and integrated housing policies.

The Common Provisions Regulation<sup>71</sup> (CPR) sets out the priorities to be financed from ESI Funds. The ESI Funds will support the implementation of relevant CSRs and of national reform programmes. Progress in achieving the policy objectives will be followed up in the framework of the European Semester.

Member States can use the ESI funds to support the implementation of the policy orientations set out in this Communication, including through social innovation, social economy and social entrepreneurship.<sup>72</sup> A specific focus by the ESF – accompanied with ERDF support – on social innovation<sup>73</sup> to support testing of innovative approaches and their up-scaling will contribute to the development of more effective social policies.

The Commission will present more detailed orientations in the context of operational guidance to be published by mid-2013 on how Member States can best use the ESI funds to achieve the agreed thematic objectives. This guidance will contribute to the realisation of policy reform and sustainable and efficient public services. For example, in the area of child poverty, it will highlight which kind of interventions would be required in a country with a large Roma population, low provision of child care and large inequalities in educational outcomes. Other themes will for example be innovation, childcare, health, desinstitutionalisation, and active inclusion.

In addition to the ESI Funds, the PSCI, Horizon 2020, COSME<sup>74</sup> and the Health Programme also contain specific provisions to financially support social policy innovation. The ESF can scale up successful social policies tested in both the public and private sectors to mainstream policies. The FEAD will help Member States ensure that adequate livelihoods are secured by addressing food deprivation, homelessness and material deprivation of children. Lastly, EU resources can be complemented by resources from for instance the World Bank, the Council of Europe Development Bank and the European Investment Bank group.

**The Commission urges Member States to:**

- Allocate cohesion policy and rural development resources to human capital development, including employment, social inclusion, reducing territorial inequalities, active and healthy ageing, accessibility of social, education and health services, and lifelong learning. Resources should be adequate to implement the structural changes as proposed by the CSRs, taking into account the Europe 2020 targets. Ensure that the interventions supported by the funds duly reflect relevant CSRs and follow a social investment approach;

<sup>71</sup> 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.

<sup>72</sup> See Commission Staff Working Document – *Social Investment through the European Social Fund* SWD(2013)44

<sup>73</sup> The Commission proposed an investment priority dedicated to the social economy and social enterprises in the Cohesion Policy Regulation 2014-2020.

<sup>74</sup> Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises

- Address the multiple needs of disadvantaged people, including those living in poor and isolated areas, with coordinated action by ESI funds;
- Seek ways to complement EU resources with funding from the World Bank, the Council of Europe Development Bank and the European Investment Bank group;
- Test new approaches (such as ICT-enabled innovation) to social policies including through the PSCI, and then scale-up the most effective innovations using the ESI Funds;
- Involve stakeholders, particularly civil society organisations close to the target groups for social interventions, in programming and implementation and facilitate their access to funds.

**The Commission will support Member States' efforts by:**

- Developing operational policy guidance for the ESI Funds fully reflecting a Social Investment approach by mid-2013. On the basis of information sent by Member States in compliance with the arrangements set out in the structural funds Regulations, the Commission will monitor outputs and results in the implementation of Programmes. Should implementation give rise to concern, the Commission will take the matter up with Member States, within the procedural framework set by the CPR;
- Enabling more sharing of knowledge. In particular, the Commission will develop a knowledge bank with Member States and Eurofound to help share lessons learned, including both policy lessons and good practices from the ESI Funds. It will support through the ESF the development of "poverty maps", identifying local areas of multiple and severe disadvantage to ensure that interventions impact on the target population;
- Supporting capacity building, through the ESF, of national and regional authorities for implementing effective policies including the promotion of social entrepreneurship.

#### **4. TARGETED EU INITIATIVES**

In this section the Commission presents a set of initiatives that are referred to in this Communication and that are key to ensure a targeted and integrated approach of social investments.

##### **4.1. Measures to stimulate funding in social investment**

The Commission will continue to provide support from the structural funds, notably the ESF, but new financing tools can be used and should be exploited with a view of easing budgetary consolidation by greater involvement of private funding:

- *Supporting social enterprises' access to finance: European Social Entrepreneurship Funds*

As laid out in the Social Business Initiative, social entrepreneurs play a crucial role in promoting social inclusion and investment in human capital. Social businesses need however easier access to private finance, to help support their activities and allowing them to expand. In addition to proposing a support fund for social enterprises as part of the Programme for

Social Change and Innovation starting in 2014, the Commission has also proposed a regulation<sup>75</sup> setting out a European Social Entrepreneurship Fund label to help investors easily identify funds that support European social businesses and access key information about the social entrepreneurship funds. The proposed regulation will break down barriers to fundraising across Europe and make investments simpler and more efficient. Further, the Commission will develop a methodology to measure the socio-economic benefits created by social enterprises and organise a high-level conference early 2014 to disseminate good practices in supporting social entrepreneurship.

- *Exploring the use of new financial instruments*

Innovative financing of social investment from private and third sector resources is crucial to complement public sector efforts. Micro-financing can play an important role in this regard. The establishment of new small businesses is key for achieving the employment and inclusion targets of the Europe 2020 Strategy. However, one of the major obstacles to business creation is lack of access to finance, especially microcredit. The Commission has proposed a continuation of the Progress microfinance facility under the Programme for Social Change and Innovation with a budget of around EUR 92 million, starting in 2014. This will finance capacity-building for microcredit providers and facilitate financial support to people wanting to start their own small business, but having difficulties securing a traditional loan.

- *Social Impact Bonds*

Social Impact Bonds, which incentivise private investors to finance social programmes by offering returns from the public sector if the programmes achieve positive social outcomes, are amongst other avenues to be explored. The Commission will support Member States by facilitating the exchange of experiences.

#### **4.2. Support adequate livelihoods/ Improve awareness of social rights**

The Commission will make sure that the provisions to protect those who are most in need are implemented and will improve information to vulnerable consumers and provide targeted assistance to people in disadvantaged situations to make informed choices:

- *Ensuring adequate livelihoods*

Most Member States have some sort of minimum income scheme. The adequacy of these schemes can, however, often be improved. The level should be high enough for a decent life and at the same time help people to be motivated and activated to work. The Commission will, as part of the European Semester, monitor the adequacy of income support and use for this purpose reference budgets once these have been developed together with the Member States.

- *Administrative capacity building and streamlining to provide one-stop shops*

The one-stop-shop model contributes to the efficiency and effectiveness of social protection systems. 'one-stop shops' simplify the organisation, enhance delivery and increase take-up of services. This approach improves accessibility of user-friendly information, coordination

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<sup>75</sup> Commission Legislative Proposal – 'Proposal for a regulation of the European Parliament and Council on Social Entrepreneurship Fund.' COM(2011) 862, 7 December 2011

among different levels of government and capacity that could reduce the administrative burden on both customer and provider. The Commission will support Member States through facilitating the exchange of good practices amongst others through the "knowledge bank" developed together with Eurofound. Funding from the ESF will be available under the Thematic Objective of "Enhancing institutional capacity and efficient public administration". The Commission will pay a particular attention to these approaches when further assessing the implementation of active inclusion strategies by the Member States.

- *Enhancing financial inclusion*

Payment accounts are a vital tool for people to participate in the economy and society. Salaries, benefits and utility bills are more and more often paid via bank accounts. A bank account is also essential for access to other basic financial services, such as consumer loans, mortgages, life insurance, electronic payments and investment. To this end, the Commission is proposing a Directive on access to payment accounts with basic features.

- *Protecting people against financial difficulty*

The financial crisis has shown the damage that irresponsible lending and borrowing practices can cause to consumers and lenders. Consumers purchasing a property or taking out a loan secured by their home need to be adequately informed about the possible risks, and the institutions engaging in these activities should conduct their business responsibly. The Commission has published a working paper on national measures and practices to avoid foreclosure procedures<sup>76</sup>. In addition, the Commission is seeking to enhance the protection of consumers through a proposed directive on credit agreements related to residential property. It will also publish in early 2013 a study identifying and analysing the different legal techniques and best practices to enhance the protection of the consumers. These initiatives are all part of a preventive approach to mitigating financial distress and confronting homelessness.

- *Energy Efficiency*

The new directive on energy efficiency<sup>77</sup> encourages Member States to include socially-oriented requirements in their national schemes and takes into account the specific needs of disadvantaged people and helps addressing energy poverty by providing for smart meters and informative bills offering vulnerable consumers with clear, credible and timely information on their energy consumption as well as on concrete opportunities to reduce it.

- *Improving access to information for citizens*

Accessible information, such as on job search services, unemployment benefits, child allowances, healthcare, or student grants, is essential for equal opportunities and citizens' participation in the economy and society. To facilitate citizens' access to such information, the proposed Directive on the accessibility of public sector bodies' websites<sup>78</sup> will ensure full

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<sup>76</sup> Commission Staff Working Paper – 'National measures and practices to avoid foreclosure procedures for residential mortgage loans'. SEC(2011) 357, 31 March.2011.

<sup>77</sup> Art. 7(7a) and Art. 10 in 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.

<sup>78</sup> Commission Legislative Proposal - "Proposal for a Directive of the European Parliament and of the Council on the accessibility of public sector bodies' websites". COM(2012) 721 final, 3 December 2012.

accessibility of a set of public sector websites to all citizens, including persons with disabilities and the elderly. Further, the Commission will provide people with more accessible information on their social rights through user-friendly Social Protection Guides and will help set up services for people to keep track of their pension rights. In addition the Commission will support better application and enforcement of free movement rights through a proposed Directive to be presented in the first half of 2013.

### **4.3. Investing in Children / Early Childhood Education and Care**

Further develop the potential of early childhood education and care (ECEC), using it as a social investment to address inequality and challenges faced by children through early intervention:

- *Improving access to childcare*

Access to early childhood education and care (ECEC) has positive effects throughout life, for instance in terms of preventing early school leaving, improving employment outcomes, and facilitating social mobility. ECEC is key to addressing challenges faced by disadvantaged children by providing early intervention. Furthermore, it is essential in removing barriers to the labour market participation of parents. The Recommendation on Investing in Children calls for making ECEC more accessible as part of an integrated strategy to improve children's opportunities, in order to reach the Barcelona targets. Further to this, the Commission is launching a study reviewing how conditional cash transfer schemes can support the use of ECEC. The European Commission and the Organisation for Economic Co-operation and Development (OECD) are stepping up their co-operation on policy initiatives to improve the quality and accessibility of early childhood education and care across Europe through identification of best practices.

- *Reducing early school leaving*

Early school leavers are far more likely to end up unemployed or at risk of poverty and social exclusion. The Europe 2020 Strategy sets out a target to reduce early school leaving to below 10%. However, 13.5% of young people still leave school prematurely. Reducing early school leaving is amongst the investment priorities of the European Social Fund, which Member States can use to develop policies in line with the integrated strategy set out in the Council Recommendation<sup>79</sup> of 2011, including through prevention measures, intervention measures and measures aimed at re-engaging people who have dropped out of education. The new "Erasmus for All" programme<sup>80</sup> for education, training, youth and sport reflecting the need for increased EU investment in education and training and its further implementation can support inclusive education initiatives.

## **5. CONCLUSION – THE WAY FORWARD**

The crisis has underlined both the interdependence of EU economies as well as the great divergence in the capacity of labour market institutions and welfare systems to respond to shocks. It also confirmed the role of social policy and budgets for the overall stability of the

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<sup>79</sup> Council Recommendation (2011/C 191/01) on policies to reduce early school leaving

<sup>80</sup> Commission Communication – 'Erasmus for All: The EU Programme for Education, Training, Youth and Sport' COM(2011)787 final, 23 November 2011.

EU. Although social policies are primarily the competence of Member States, the EU supports and complements the activities of the Member States.

Stronger economic governance and enhanced fiscal surveillance in Member States is now in place. This must be accompanied by improved policy surveillance in the social areas which over time contributes to crisis management, shock absorption and an adequate level of social investment across Europe. This also needs to be addressed in the on-going discussions on the social dimension of the EMU.

The Social Investment Package aims at reorienting Member States' policies towards social investment where needed, with a view to ensuring the adequacy and sustainability of social systems while linking these efforts to the best use made of the EU funds, notably the ESF. The Commission calls on Member States to pursue the actions and directions set out in this Package along the following three main axes:

### **1. Strengthening social investment as part of the European Semester**

- Member States are urged to strengthen the involvement of relevant stakeholders at all levels, most notably social partners and civil society organisations, in the modernisation of social policy as part of the Europe 2020 Strategy.
- Member States are urged to reflect in their National Reform Programmes the guidance provided in this Social Investment Package with a particular attention to:
  - Progress on putting an increased focus on social investment in their social policies, particularly on policies such as (child)care, education, training, active labour market policies, housing support, rehabilitation and health services.
  - The implementation of integrated active inclusion strategies, including through the development of reference budgets, increased coverage of benefits and services, and simplification of social systems through for instance a one-stop-shop approach and avoiding proliferation of different benefits.
- The Commission will address social protection reform and the increased focus on social investment and active inclusion in Country Specific Recommendations and subsequent European Semesters. The Commission will moreover support Member States through enhanced monitoring of outcomes, and will underpin this together with the European Statistical System through improved and timelier statistics<sup>81</sup> on poverty and outcomes of social and health<sup>82</sup> policies.

### **2. Making the best use of EU funds to support social investment**

- Member States are urged to duly take into account the social investment dimension in the programming of the EU funds and the ESF in particular for the period 2014-2020. This includes exploring innovative approaches to financing and financial

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<sup>81</sup> Improving the standard SILC data delivery, delivering variables on deprivation and financial situation assessment at the end of the reference year, collecting data on monthly household income faster and possibly on an intra-annual basis, and exploring the possibility to develop a yearly module on coping strategies.

<sup>82</sup> By using the European Community Health Indicators (ECHI)

engineering, drawing lessons from experiences such as those on Social Investment Bonds, microfinance and support to social enterprises.

- The Commission will actively support Member States in their programming based upon the guidance contained in this Package and further operational thematic guidance e.g. on social innovation, deinstitutionalisation, and health.

### **3. Streamlining governance and reporting**

- Member States, through the relevant Committees, are urged to make proposals for strengthening the social dimension of the Europe 2020 Strategy, with a better connection to existing processes such as the open method of coordination and enhanced reporting on the performance of Member States' social systems. The Commission will further strengthen guidance and monitoring instruments, taking into account the existing macroeconomic, fiscal and employment governance tools, with a view to limit and address divergences related to social policies. Benchmarking and performance monitoring will be part of this exercise, building on the Social Protection Performance Monitor.<sup>83</sup>
- The Commission will work closely together with Member States in the context of the relevant Council formations, the SPC and other relevant committees to support these reflections and will continue the dialogue with all relevant stakeholders, notably in the context of the Annual Convention of the Platform against Poverty and Exclusion.

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<sup>83</sup> Council document 13723/12: The Social Protection Performance Monitor depicts statistically significant annual deviations ('social trends to watch') in key indicators agreed as part of a dashboard of social protection indicators and triggers thematic surveillance on social trends to watch