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

**Modernising social protection for greater social justice and economic cohesion: taking
forward the active inclusion of people furthest from the labour market**

1. Introduction

The EU strategy for growth and jobs¹ is showing results: growth has picked up, employment is rising and unemployment is falling across Europe. Yet there is little doubt that much more is needed for Europe to realise all its potential and fully achieve the Lisbon objectives for economic and social development.

A sizable part of the Union's population remains socially excluded, since 16% of Europe's population is at risk of financial poverty, one in five lives in sub-standard housing, 10% live in households where nobody works, long-term unemployment approaches 4% and the proportion of early school leavers is over 15%. Another dimension of social exclusion that is gaining importance is lack of access to information technologies².

Despite being one of the richest regions in the world, the European Union and its Member States are still far away from the objective, set by the European Council at the launch of the Lisbon strategy in March 2000, of making a decisive impact on the eradication of poverty. Although the situations in the Member States vary considerably, the extent of multiple disadvantage and deprivation still found in the EU is widely perceived as socially, morally and economically unsustainable.

Reaching out to those at the margins of society and the labour market is an economic priority as much as it is a social priority. Far from there being any contradiction between an efficient dynamic economy and one that places social justice at its core, these elements are closely interdependent. On the one hand, economic development is necessary to sustain the provision of social support. On the other hand, bringing back to work the most excluded from the labour market, provided that they can work, and supporting their social integration is an integral part of the Lisbon strategy, which aims to mobilise the full potential of our human resources.

In order to help Member States mobilise those who can work and provide adequate support to those who cannot, the Commission has proposed a holistic strategy that can be termed **active inclusion**³. It combines income support at a level sufficient for people to have a dignified life with a link to the labour market through job opportunities or vocational training and through better access to enabling social services. Active inclusion in this sense is fully complementary to the "flexicurity" approach, while targeting those at the margins of the labour market. It shapes an "active welfare state" by providing personalised pathways towards employment and ensuring that those who cannot work can live in dignity and contribute as much as possible to society. Therefore, active inclusion contributes to the Lisbon strategy and is also a building block of the social dimension of the EU's Sustainable Development Strategy.

In the spring of 2006, the Commission launched a public consultation⁴ which included a consultation under article 138 of the EC Treaty on the need for action at EU level to promote the active inclusion of people furthest from the labour market. Based on the results of this consultation and the initiatives that followed, including the in-depth review by the Social Protection Committee of the National Action Plans to combat poverty and social exclusion, the sixth conference of people experiencing poverty (4-5 May 2007) and the stakeholders'

¹ Presidency Conclusions Lisbon European Council 23-24 March 2000 and COM(2005)24.

² In particular, 44% of Europeans do not have any degree of Internet and computer skills.

³ COM(2006)44 of 8.2.2006.

⁴ COM(2006)44.

conference on active inclusion (15 June 2007), the Commission has elaborated the proposals presented in this Communication, including the launching of the second-stage consultation under article 138(3) of the EC Treaty.

2. Responses to the consultations

2.1 Overall support for renewed EU efforts towards active inclusion

The responses to the 2006 consultation highlighted that the 1992 Council Recommendation on “*Common criteria concerning sufficient resources and social assistance in social protection systems*”⁵ was still considered a reference instrument for EU policy in relation to poverty and social exclusion. They stressed that the Recommendation had lost none of its relevance but that more needed to be done for its full implementation, in particular in clarifying the criteria and statistical tools that can be used as a benchmark to define the adequacy level of minimum income schemes.

The responses also acknowledged that the adequacy of minimum income schemes had to be assessed in the broader context of access to employment. Therefore, the majority welcomed the comprehensive approach taken by the Commission⁶. While wary about prescriptive rules at EU level, not considered appropriate in the light of the diversity of situations across Europe, most respondents expressed support for a renewed effort at EU level. In particular, the formulation of common principles at EU level, together with reinforcement of the Open Method of Coordination (OMC), received strong support.

2.2 Need for a more holistic approach

The various responses emphasised, moreover, that successful implementation of the active inclusion approach depends on the synergies between its different components. Adequate income support needs to be combined with labour market opportunities and better access to quality services.

Social inclusion and labour market participation go hand-in-hand. For labour market integration to be sustainable, disadvantaged people need first to be supported with sufficient resources and personalised employment and social services to enhance their social participation and employability. If they succeed in finding employment, job retention should be promoted to avoid a “revolving door” situation, where people are forced to leave the job due to inadequate employment skills or because the personal and social hurdles are not sufficiently addressed. Furthermore, employment *per se* is not always a guarantee against poverty, as 8% of workers in the EU are at risk of poverty: this explains the strong plea from civil society organisations and trade unions for the creation of quality jobs.

⁵ Council Recommendation of 24 June 1992 (92/441/EEC). See also Council Recommendation of 27 July 1992 (92/442/EEC).

⁶ For the results of the consultation:
http://ec.europa.eu/employment_social/social_inclusion/active_inclusion_en.htm.

Social assistance and social services need to support the labour market integration of individuals, to increase their earnings capacity and to reduce benefit dependency and the risk of intergenerational transmission of poverty. But several respondents stressed that the impact of conditionality rules on the most vulnerable people must be carefully monitored, in particular as social assistance levels are already below the at-risk-of-poverty line in most Member States.

2.3 *Responses from the social partners*

The communication launching the first-stage consultation already stressed the role played by the social partners in many Member States in the design and monitoring of active labour market policies, and in the negotiations on minimum wages. In their response to the Article 138 first-stage consultation, the social partners did not support any legislative options at EU level for active inclusion, but rather favoured a strengthening of the existing Open Method of Coordination as well as a more integrated approach. They also made clear that they had a key role to play in improving the availability of jobs for disadvantaged people and in putting in place suitable recruitment procedures, as also shown by recent tripartite agreements.

In particular, the social partners recalled that their work programme for 2006-2008 highlights how they can deal with the issue of disadvantaged groups. They committed themselves to do so *by undertaking to make a joint analysis on the key challenges facing Europe's labour markets, looking at issues such as the integration of disadvantaged people in the labour market, by defining priorities to be included in a framework of actions on employment and by negotiating an autonomous framework agreement on either the integration of disadvantaged groups in the labour market or lifelong learning.*

In the debate following the presentation of the consultation results, it was clearly evident that social partners have a pivotal role in promoting job retention: disadvantaged people, having found a job, may need continued support, e.g. in terms of on-the-job training and lifelong learning opportunities as well as suitable and flexible work arrangements to help marginalised people reconcile work with their efforts in dealing with social disadvantage (such as lack of appropriate accommodation, caring responsibilities and health problems). In other words, the process of social reintegration does not end at the doors of the enterprise.

2.4 *Participation and integration of all relevant actors*

Responses to the consultation also stressed that the success of active inclusion policies depends upon the involvement and cooperation of several actors. Local and national governments have a fundamental responsibility for designing, funding and administering policies to secure the integration of people furthest from the labour market. Service providers - private, public or mixed - play a key role in implementing these policies at local level. Civil society organisations represent and assist the beneficiaries of such measures. Disadvantaged people themselves must be involved, consulted and empowered in order to improve the effectiveness of public policies.

Too frequently, these actors operate in disconnected fields of social and employment policies. To be successful, the active inclusion approach must promote an integrated implementation process, among the local, regional, national and EU policy levels and across the three provision strands: minimum income, active labour market measures and social services.

3. A better understanding of poverty and social exclusion: recent policy developments

The messages received from the consultations should also be considered in the light of the various policy developments in the EU since the launch of the Lisbon strategy.

The Open Method of Coordination on social protection and social inclusion and the European Employment Strategy have contributed to a better understanding of the complex phenomena of poverty and social exclusion and are powerful instruments in promoting a more holistic approach, integrating the three main strands of active inclusion.

The 2007 Joint Report on social protection and social inclusion acknowledges that more attention should be paid to minimum resources, so that nobody is “left behind”. In this respect, the adequacy of **minimum income schemes** is essential to tackle the underlying social problems and to promote the full social integration of all EU citizens, helping them to develop their full potential. But multiple disadvantages require multiple and integrated solutions, including inclusive labour markets and enabling social support.

Realising the potential of **inclusive labour markets** in the fight against poverty and exclusion has been a major concern of Member states under the European Employment Strategy. They have agreed to offer a new start to every unemployed person by six months of unemployment in the case of young people and twelve months in the case of adults. By the year 2010, 25% of the long-term unemployed should be participating in an active measure. The Employment Guidelines⁷ 2005-2008 recognise that efforts to raise employment rates go hand in hand with improving the attractiveness of jobs, quality at work and labour productivity growth, and reducing the share of working poor. The importance of inclusive labour markets was again highlighted in the 2007 Joint Employment Report⁸ which states that “...*Member States are devoting more attention to labour market reforms that have an impact on poverty and exclusion and which encourage longer working lives. They are converging in efforts to offer active support to the most disadvantaged...*”. Balancing the two goals of alleviating poverty and at the same time increase labour supply incentives is a challenge for policy-makers, who also have to take account of the budgetary costs that any tax and benefit reform may involve.

Social services are now considered as key pillars of European society and the European economy, and improving **access to quality social services** has become one of the key priorities set by Member States for tackling poverty and social exclusion⁹. The 1992 Recommendation already called on Member States to take every measure to enable those concerned to receive appropriate social support. Since then, new social risks have emerged, linked to the transition to a post-industrial knowledge and service economy, to demographic change and to social trends such as a greater individualisation. These new risks make the need for quality social services and personalised support even more pressing.

⁷ See “Guidelines for the employment policies of the Member States (2005-2008)” OJ L 205 of 6.8.2005, p. 21.

⁸ Council of the European Union (6706/07).

⁹ Council of the European Union (7341/05).

Information technologies also have an important role to play in this context and the Commission has recently launched initiatives for improving the delivery of social and health care services through the use of information society technologies¹⁰.

4. Envisaged EU action

Guided by the results of this consultation and by the developments mentioned above, the Commission proposes to **deepen the Open Method of Coordination** in this area through the adoption of **common principles** and their subsequent monitoring and evaluation, respecting fully the principle of subsidiarity as well as the autonomy and the different situations and needs of the Member States.

The Open Method of Coordination has become an essential tool in promoting best practices and ensuring the continuous monitoring of objectives at EU level. In the National Reports that Member States submitted under the OMC in 2006, active inclusion was highlighted and analysed as one of the key priorities. The OMC will continue, on the basis of common principles, to monitor and evaluate all aspects of the active inclusion approach. The specific modalities will be agreed in the Social Protection Committee.

In the framework of the OMC, Member States will, of course, retain the responsibility for defining levels of income support and for establishing the appropriate mix between social assistance, social services provision, and making work pay, an equilibrium which depends on social and political preferences, social and cultural traditions and considerations of equity and effectiveness in tackling different types of disadvantage.

The common principles on each of the three strands of active inclusion will stress the need for a holistic approach and provide a concrete and integrated framework for their implementation. This structured process is instrumental to the identification of the best policy responses to the common social challenge of guaranteeing the fundamental right of all EU citizens to social and housing assistance as to ensure a decent existence for all¹¹.

In order to promote the identification and adoption of the common principles and to detail the elements of the active inclusion strategy, the Commission intends to issue a **Recommendation**, which would constitute the basis for Council conclusions and a European Parliament resolution.

The common principles for the three strands will be developed along the lines described below.

4.1 *Income support sufficient to avoid social exclusion*

The main elements of the 1992 Recommendation concerning income support enshrined in sections A to C(3) remain entirely relevant for the envisaged strategy. They concern in particular:

- (1) the recognition of the basic right of a person to sufficient resources and social assistance to live in a manner compatible with human dignity;

¹⁰ COM(2007)332 of 14.6.2007.

¹¹ Charter of Fundamental Rights of the European Union, art. 34 §3.

(2) making the recognition of this right subject to general principles including active availability for work or for vocational training for those whose age, health and family situation permits such active availability or, where appropriate, subject to economic and social integration measures in the case of other persons;

(3) the implementation of this right according to practical guidelines, in particular that the definition of the amounts of resources considered sufficient to cover essential needs with regard to respect for human dignity should refer to appropriate indicators, such as, for example, statistical data on the average disposable income, household consumption, the legal minimum wage, or the level of prices. Arrangements should be established for periodic review of these amounts, based on these indicators, in order that needs continue to be covered.

4.2 *Link to the labour market*

In line with the Employment Guidelines, the common principles will stress the importance of breaking down barriers to the labour market with active and preventive labour market measures, including early identification of needs, job search assistance, guidance and training as part of personalised action plans.

In order to make work pay for job seekers, it is also necessary to continue reviewing the incentives and disincentives resulting from tax and benefit systems, including the management and conditionality of benefits, while ensuring adequate levels of social protection.

To support the inclusion of disadvantaged people, relevant policies on the demand side of the labour market include the expansion of the social economy, the development of new sources of jobs in response to collective needs, financial incentives for employers to hire, anti-discrimination law and labour law¹².

4.3 *Link to better access to quality services*

The common principles will focus on the two concepts identified as crucial in the OMC and the ongoing dialogue with civil society organisations¹³, i.e.

- Accessibility of services, comprising both availability (including spatial and physical accessibility) and affordability;
- Quality of services, comprising: user involvement; monitoring, performance evaluation and sharing of best practice; investment in human capital; working conditions; framework for equality both in recruitment policies and in service provision; coordination and integration of services; and adequate physical infrastructure, especially in relation to social housing¹⁴.

¹² SEC(2007)329 of 6.3.2007, pp. 51-58.

¹³ See <http://www.peer-review-social-inclusion.net/key-issues/quality-and-accessibility-of-social-services/> in particular Halloran J. and K. Calderon-Vera (2007) "Access to quality social services – A strategy paper".

¹⁴ The forthcoming Communication on SSGI will address the uncertainties concerning the application of Community rules. *Inter alia*, it will explore how to better apply public procurement rules to the field of SSGI. Moreover, it will complement this clarification exercise with further initiatives on the definition and assessment of quality.

All services of general interest, including network industries such as transport and public utilities as well as financial services, play an important role in ensuring social and territorial cohesion. Universal access to essential services should be guaranteed, and the Commission is committed to promoting this across all its policies¹⁵. Nevertheless, from the active inclusion perspective, the common principles will focus on social services of general interest.

Apart from statutory and complementary social security schemes and health services, social services of general interest include other essential services provided directly to the person, which play a preventive and socially cohesive role, facilitate social inclusion and safeguard fundamental rights¹⁶. They include:

- (1) Assistance for persons faced by personal challenges or crises (such as unemployment, over-indebtedness, drug addition or family breakdown);
- (2) Activities to ensure that the persons concerned are able to completely reintegrate into society and into the labour market (such as rehabilitation, language training for immigrants, occupational training and reintegration) and to ensure access to affordable child care;
- (3) Activities to integrate persons with long-term health or disability problems;
- (4) Social housing.

5. A supporting EU framework

The implementation of the common principles will be supported, at EU level, by a systematic monitoring and evaluation exercise and by other initiatives or instruments complementing the efforts of Member States.

Recalling the importance of the role of European social partners for the successful implementation of the active inclusion approach, the Commission welcomes their commitments in the work programme 2006-2008. The Commission will examine with the social partners how they might further develop autonomous initiatives to enhance the synergies with the other policy strands and actors in the active inclusion approach, such as public authorities - including those most active in the field, i.e. often regional and local authorities - service providers and NGOs.

EU financial instruments already play a key role in encouraging the development of inclusion policies based on access to the labour market. The European Social Fund provides a long-term financial framework complementing national and other sources of finance. The Commission will encourage use of the provisions of the new ESF regulation to support active inclusion measures, namely: a) developing and testing integrated pathways to active social and economic inclusion; b) mainstreaming innovative integration approaches that have a clear advantage over current practices; and c) disseminating and transferring good practice in promoting social inclusion across all Member States.

¹⁵ COM(2004)374 of 12.5.2004.

¹⁶ COM(2006)177 of 26.4.2006.

The success of the envisaged approach depends on the commitment and full involvement of national, regional and local actors. They must play a central role in the development and implementation of active inclusion policies at EU level. Their best practices currently do not receive the visibility they deserve. The Commission will therefore support, including with the resources available in the framework of the PROGRESS programme, the establishment of a **Network of Local Observatories**, in partnership with EU networks of local authorities, service providers and NGOs, to monitor and promote best practices, especially in relation to access to quality services.

6. Conclusions and next steps

6.1 Consultation of social partners

In accordance with Article 138(3) of the EC treaty, social partners are invited to express their views on the approach outlined in this Communication and in particular on:

- The proposed **instrument**, namely deepening the OMC in this area through the adoption of common principles and their subsequent monitoring and evaluation.
- The **content** of the common principles on sufficient resources, inclusive labour markets and access to quality services as outlined in sections 4.1 to 4.3 of this Communication.
- The **supporting EU framework** as outlined in section 5 of this Communication.

Social partners are also invited to add further comments, and examine the possibility of further initiatives, on the subjects they addressed in the first stage of the consultation with regard to their specific role in promoting job retention (cf. section 2.3 above) and the possible synergies of their actions with the other strands of the active inclusion approach.

6.2 Consultation of all stakeholders

Given the subject matter of this initiative, and the need for the involvement of all relevant actors (cf. section 2.4), the Commission also invites all stakeholders, including public authorities at all levels, civil society organisations and service providers, to express their views on the content of this Communication. In particular, the Commission requests their opinions on the effectiveness and comprehensiveness of its proposals to promote active inclusion.

This Communication is also addressed to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

6.3 Next steps

In order to involve all interested institutions and organisations at EU and national level, the communication will be made available on the internet site of the Directorate-General for Employment, Social Affairs and Equal Opportunities at:

http://ec.europa.eu/employment_social/consultation_en.html.

All interested parties should send their comments or suggestions to the following e-mail address only:

empl-active-inclusion@ec.europa.eu.

Comments should be sent in no later than 28 February 2008. The Commission will conduct a detailed examination of the contributions received, will make public its conclusions and will ensure their consistent follow-up.