



Council of the  
European Union

141674/EU XXV. GP  
Eingelangt am 03/05/17

Brussels, 3 May 2017  
(OR. en)

8767/17

SOC 304  
EMPL 229  
EDUC 166  
SAN 176  
ECOFIN 326

#### COVER NOTE

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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	27 April 2017
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2017) 257 final
Subject:	COMMISSION STAFF WORKING DOCUMENT on the implementation of the 2008 Commission Recommendation on the active inclusion of people excluded from the labour market

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Delegations will find attached document SWD(2017) 257 final.

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Encl.: SWD(2017) 257 final



Brussels, 26.4.2017  
SWD(2017) 257 final

**COMMISSION STAFF WORKING DOCUMENT**

**on the implementation of the 2008 Commission Recommendation on the active inclusion  
of people excluded from the labour market**

## COMMISSION STAFF WORKING DOCUMENT

### on the implementation of the 2008 Commission Recommendation on the active inclusion of people excluded from the labour market

#### 1. Introduction

The economic recovery in Europe is now in its fifth consecutive year and has brought with it gradual improvements in labour markets and in the social situation. In the third quarter of 2016 the employment rate was over 67 % in the European Union as a whole, although rates varied significantly among the Member States<sup>1</sup>. The proportion of the EU population at risk of poverty and social exclusion in 2015 was estimated at around 24% (119 million people) — the lowest level since 2010.

Economic growth and labour market improvements are expected to continue in most Member States in the coming years according to the Commission Autumn Forecast. Yet despite this welcome progress and some narrowing of the social divide within the EU recently, wide social and employment disparities remain. One in four Europeans remains at risk of poverty or social exclusion and EU is moving slowly towards the Europe 2020 target of lifting at least 20 million people out of poverty. In addition, rising in-work poverty suggests that not all jobs provide sufficient income security<sup>2</sup> and growing economic inequalities are curbing the potential for sustainable and inclusive growth. Therefore, despite recent progress, much remains to be done to tackle poverty and the negative impact of the financial crisis on social exclusion and income inequality among Member States.

In October 2008 the European Commission adopted a Recommendation on the active inclusion of people excluded from the labour market<sup>3</sup>. This sought to help the Member States modernise their social protection systems and address growing poverty and social exclusion. This ‘Active Inclusion Recommendation’ coincided with rapidly deteriorating economic and social conditions caused by the global financial crisis Europe was facing. It aimed to help provide those who were able to work with sustainable, quality employment, and to provide those unable to work with enough resources to live in dignity. It stressed the importance of a comprehensive approach based on a combination of three policy strands, namely adequate income support, inclusive labour markets and access to quality services. These strands were seen as a precondition for the economic and social integration of people furthest from the labour market. The Recommendation was endorsed by the Council of the European Union<sup>4</sup> and the European Parliament<sup>5</sup>.

Doing more to implement integrated, comprehensive strategies has the potential not only to

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<sup>1</sup> See Annex; Also *Employment and Social Developments in Europe 2016*.

<sup>2</sup> However, people in work still stand a better chance of escaping poverty than people out of work. *Employment and Social Developments in Europe 2013* showed that poor in-work individuals had a 43 % chance of getting out of poverty, compared to a 33 % chance for those not in work.

<sup>3</sup> OJ L 307, 18.11.2008, p. 11.

<sup>4</sup> Council conclusions of 17 December 2008 on common active inclusion principles to combat poverty more effectively.

<sup>5</sup> European Parliament Resolution of 6 May 2009 on the active inclusion of people excluded from the labour market (2008/2335(INI)).

improve the social outcomes for those furthest from the labour market, but also to deliver lasting social and economic benefits for the entire population and boost social cohesion. The consultation on the preliminary outline of the European Pillar of Social Rights highlighted that the issues in the Recommendation are of great importance for many stakeholders, who asked the EU and its Member States to do more, and do better, for those most in need.

This report takes stock of progress so far in implementing the Recommendation in the Member States and the impact of the Recommendation on policy making for active inclusion in the EU. It puts forward a number of examples of good practice in implementing the active inclusion approach. It is based on policy assessment conducted through the European Semester, the social Open Method of Coordination, reports and evaluations<sup>6</sup>.

## 2. The Active Inclusion Recommendation

The Recommendation was adopted to help the Member States modernise their social protection systems and address rising poverty and social exclusion. It built on the 1992 Council Recommendation on common criteria on sufficient resources and social assistance in social protection systems<sup>7</sup>. This recognised the basic right of a person to sufficient resources and social assistance to live in a manner compatible with human dignity and provided practical guidelines on how to implement this right. The general principles for recognising this right include active availability for work or vocational training for people whose age, health and family situation so allows, and economic and social integration measures for others.

The Active Inclusion Recommendation proposed that Member States design and implement an integrated, comprehensive strategy combining the three strands of the active inclusion strategy: adequate income support, inclusive labour markets and access to quality services. It recommended that the effectiveness of integrated active inclusion policies should be ensured by designing a comprehensive policy setting out the right balance between the three strands.

The Active Inclusion Recommendation's first strand, on **adequate income support**, recognised an individual's basic right to resources and social assistance sufficient to lead a life that is compatible with human dignity. This right forms part of a comprehensive, consistent drive to combat social exclusion. The Recommendation suggested Member States reviewing social protection systems, if necessary, so that the right to sufficient resources was combined with active availability for work or vocational training, in line with the 1992 Council Recommendation.

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<sup>6</sup> For example the 2015 European Social Policy Network reports *Minimum Income Schemes in Europe – a study of national policies and Social investment in Europe*; the 2015 European Parliament report *Active Inclusion: stocktaking of the Council recommendation (2008); Dynamics and Varieties of Active Inclusion: A Five-Country Comparison* (FP 7 project COPE), Daniel Clegg, and *A new kid in town? Active inclusion in European minimum income schemes*, (FP7 project IMPROVE) Sarah Marchal and Natascha Van Mechelen.

<sup>7</sup> OJ L 245 of 26.8.1992, p. 46.

The second strand, promoting **inclusive labour markets**, recommended adopting arrangements for people who were fit for work so that they received effective help to enter or re-enter employment for which they were capable. It advocated making people excluded from the labour market more employable, promoting inclusive labour markets and opening up opportunities for all people. At the same time, it underlined the importance of quality jobs and of tackling labour market segmentation by helping people stay in work and improve their career prospects.

The Active Inclusion Recommendation suggested how inclusive education and training policies, together with lifelong learning adapted to new digital and other skills requirements, could improve investment in human capital. It promoted active and preventive labour market measures, including customised support and job-search assistance, and a review of the incentives and disincentives resulting from tax and benefit systems. It noted that support for the social economy and sheltered employment was a vital source of entry jobs for disadvantaged people. The Recommendation promoted financial inclusion and making microloans and financial incentives available for employers to recruit. It also called for a supportive environment, including attention to health and well-being, non-discrimination and the application of labour law in conjunction with social dialogue.

The third and final strand called for appropriate social support for those concerned through **access to quality services**. In particular, it suggested taking measures to provide social assistance services, employment and training services, housing support and social housing, childcare, long-term care services and health services. It called for the right balance to be struck between work incentives, poverty alleviation and sustainable budgetary costs. Furthermore, it called for all people, including the least privileged, to be informed of their rights and of the support available to them. It also highlighted the need for the administrative procedures to be simplified and invited the Member States to improve indicators and ensure effective use of the European Structural and Investment Funds.

Furthermore, the Recommendation highlighted the importance of coordinating policy between local, regional, national and EU authorities. It called on all other relevant partners – including those affected by poverty and social exclusion, the social partners, non-governmental organisations and service providers – to play an active part in developing, implementing and evaluating strategies.

Endorsing the Active Inclusion Recommendation in December 2008, the Council of the European Union emphasised that implementing active inclusion effectively was a precondition for tackling and preventing poverty and social exclusion. The Council underlined that active inclusion was not a single-model approach; Member States should define the level of adequate income support and the policy mix best adapted to the needs identified at local, regional and national level. The financial allocation should strike a balance

between increasing work incentives, alleviating poverty and avoiding unsustainable budgetary costs.

The European Parliament endorsed the Active Inclusion Recommendation in its May 2009 resolution<sup>5</sup>. The resolution welcomed the Recommendation's recognition of the individual's fundamental right to sufficient resources to live life in dignity. It called for adequate income support in the Member States and for an agreed EU target for minimum income schemes and a timetable for achieving it. The resolution also welcomed the Recommendation's recognition that universal access to affordable and high-quality social services was a fundamental right and an essential element of the European Social Model.

### *First assessments of the implementation of the Active Inclusion Recommendation*

Implementation of the Active Inclusion Recommendation was first assessed in 2013, as part of the Social Investment Package.<sup>8</sup> The assessment confirmed the validity of the Recommendation's approach, but acknowledged that progress in implementing it at national level had been relatively limited.

This assessment highlighted specific challenges related to the three active inclusion strands. The main concerns over income support were low adequacy, lack of take-up and limited coverage, which had been affected by the crisis. Although most Member States had extended social benefits at the start of the crisis, as temporary stimulus measures were removed and budget constraints took hold some recipients had seen their eligibility restricted. For inclusive labour markets, the main challenges identified were in-work poverty and potential disincentives arising from tax and benefits systems. Access to quality services was a problem in a number of Member States, notably for those furthest from the labour market, including Roma, migrants and people with disabilities.

Several obstacles were identified as preventing the integrated active inclusion strategy from being implemented. These included:

- coordination challenges at the local level;
- the scattering of competencies across policy levels;
- restricted access to services due to lack of funding; and
- insufficient administrative capacity to coordinate the three strands within or across departments.

An obstacle in some countries was that the strategy was not treated as a political priority. This may have been due to significant budgetary constraints during the economic crisis.

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<sup>8</sup> COM(2013) 83 final of 20 February 2013

The assessment acknowledged the need for more explicit, evidence-based guidance for Member States to better implement the Active Inclusion Recommendation. It also suggested developing active inclusion indicators in the Social Protection Committee and further mainstreaming the active inclusion strategy in monitoring the Europe 2020 strategy. Lastly, it highlighted the need to use targeted support from the European Social Fund and others to boost administrative capacity and policy coordination across the three strands.

In its 2013 resolution<sup>9</sup> the European Parliament called on the Member States to endorse the active inclusion principles as a priority. It regretted that national active inclusion strategies too often focused only on employment activation, thereby excluding people outside the labour market and for whom returning to it was not an option. Parliament emphasised that active inclusion policies should be consistent with a life-cycle approach and be tailor-made, needs-oriented and participative. It called for a systematic assessment of the impact of austerity measures on active inclusion policies for disadvantaged groups.

In its June 2013 conclusions<sup>10</sup> the Council noted that active inclusion principles should feature in social policy reforms, so that the most disadvantaged could be given support to participate in the labour market and society. In particular, policy should address the combination of extreme marginalisation and discrimination that reinforced social exclusion. As part of efforts to pursue an active inclusion strategy it called for cooperation to look at whether and how reference budgets or similar instruments that respect national competences could add value to the design of efficient and adequate income support.

Subsequently, in June 2016, the Council adopted another set of conclusions on an integrated approach to combating poverty and social exclusion<sup>11</sup>. It acknowledged that innovative active inclusion approaches combining adequate income support, access to quality services and inclusive labour markets, while ensuring equal opportunities for both women and men, were necessary to fight poverty and social exclusion effectively. It called on the Member States to recognise the value of an integrated approach, to step up efforts to prevent and combat poverty and social exclusion, and to reach their respective national poverty and social exclusion targets.

### **3. The Active Inclusion Recommendation in practice – policy developments in the Member States**

#### ***3.1. Progress towards a comprehensive active inclusion approach***

In accordance with the principle of subsidiarity, the Active Inclusion Recommendation leaves it up to the Member States to define the level of income support and establish the appropriate policy mix. In doing so they are meant to take into account the different situations and needs

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<sup>9</sup> European Parliament resolution of 12 June 2013 on the Commission Communication *Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020* (2013/2607(RSP))

<sup>10</sup> Council conclusions of 20-21 June 2013, *Towards social investment for growth and cohesion*.

<sup>11</sup> <http://data.consilium.europa.eu/doc/document/ST-10434-2016-INIT/en/pdf>



at local, regional and national level. The diversity of national welfare systems, institutional settings and wider economic and labour market conditions underpinning the pursuit of these political goals is behind the mixed results in putting integrated active inclusion policies into practice. At the same time, demographic change and, more recently, the challenges posed by migration, have put additional pressure on national social protection systems. Furthermore, the global financial and economic crisis has had a clear impact, notably on levels of unemployment and poverty, and has held back the Recommendation's implementation on the ground. In some cases priority focus was switched to getting the public finances under control and launching recovery strategies, reflecting a need to reduce public expenditure in the short term. In addition, following the integrated approach embodied in the Recommendation can be challenging for national administrations whenever responsibilities are divided between ministries. Taken together, these factors explain why the Recommendation's impact has been uneven across the Member States.

Several studies confirm that the Member States in which the active inclusion approach is well established have continued fostering relatively good linkages between the three strands, even if some national or local weaknesses persist<sup>12</sup>. These countries have formally acknowledged the need for integrated solutions and have invested substantial efforts in creating more comprehensive responses to people who are disadvantaged on a number of fronts. They have scaled up or adjusted existing policies to deliver enabling labour market policies with effective links between minimum income schemes and access to services. These countries also tend to have the lowest poverty and social exclusion rates. However, even in Member States performing well overall, the design of active inclusion policies sometimes falls short in one or more areas. The shortcomings include limited financial incentives to take up work (e.g. in Denmark), adequacy of benefits<sup>13</sup> (e.g. in Belgium and Slovenia) and limited availability of childcare services (e.g. in Germany and Austria).

### Examples of active inclusion reforms

*From 2014 to 2016 **Denmark** implemented the reform of its social assistance benefits, work requirements and 'JobReform, phase 1'. Further reform of the tax system is planned for 2017. The combined purpose of these reforms is to introduce safety nets at lower levels, coupled with access to quality educational services and enhanced activation. For people under 30 the minimum income benefit has been cut and made conditional on those with no qualifications going into education. For those who are not in education or ready to work, a case worker coordinates measures provided by a multidisciplinary team of welfare professionals. The aim is to give them the resources*

<sup>12</sup> See, for instance, studies funded under the European Commission's 7th Framework Programme: *A new kid in town? Active inclusion in European minimum income schemes*, Sarah Marchal and Natascha Van Mechelen, FP7 Project ImPROvE, 2014; *Active inclusion and the fight against poverty: the challenge of integrated services (Lessons from five countries)*, FP7 Project COPE, 2015; *Social Investment in Europe*, D.Bouget, H.Frazer, E.Marlier, S.Sabato, B.Vanhercke, 2015; *Comparative report on the impact of an integrated approach to social cohesion*, CETRO, LOCALISE, 2014.

<sup>13</sup> Measured as net social assistance income as a percentage of the 60 % poverty threshold, European Commission and OECD tax-benefit database, 2014



to go into education, activation or work. For people over 30 the policy changes addressed the perceived benefit dependency caused by the combination of generous benefits and a relatively small gap between earnings and social assistance. A lower benefit ceiling was introduced so that it paid to be in work.

*In **Slovenia**, the reform of cash social assistance entered into force in 2012. Minimum income increased but eligibility requirements became tougher. To receive minimum income people must first register at the employment office and sign an employment plan. Priority participation in activation measures is given to people on unemployment benefit, social assistance or other income support. One-stop shops issuing cash social benefits, subsidies and payments from public sources have been established at 'social services centres'. These centres deliver social services and cooperate closely with the employment offices in providing social activation assistance for unemployed people. There is also a direct link between social assistance beneficiary status and access to subsidised services (health services, social assistance, education and childcare for young children and school meals).*

*In 2015 the **Netherlands** adopted the Participation Act, which covers minimum income, reintegration facilities and subsidised work. People on social assistance are required to accept reasonable offers of work. With the introduction of the act, the conditionality rules and enforcement have become stricter. The minimum income scheme in the Netherlands reaches the at-risk-of-poverty threshold (60 % median threshold). The recent reforms have required municipalities to overhaul their policies and provide integrated services to their citizens. Many municipalities have developed 'neighbourhood social teams', combining several support disciplines (e.g. social, youth and community workers, debt advisors, district or neighbourhood nurses, counsellors for the elderly, etc.). These teams are designed to reach out into the neighbourhood, detect problems early on and direct people towards appropriate forms of support and care.*

*In 2015, **Belgium** increased the minimum income benefits by 2%. The plan is to further increase these benefits gradually to the 60 % median threshold, while avoiding unemployment and inactivity traps. Reforms to the unemployment benefits system have been introduced which give unemployed people greater financial incentives to take up work. Some measures combine a gradual decrease in unemployment benefits with targeted measures to increase after-tax pay for low-wage earners. Moreover, job-seeking requirements have been tightened and stricter eligibility criteria for minimum income have been enforced. Those who cannot cover their own medical costs can apply for medical assistance covering a range of medical, pharmaceutical and hospital costs. There are also subsidies for people in energy poverty.*

*In addition, there are some examples of closer cooperation and cross-sectoral*

*coordination among stakeholders in formulating active inclusion policy. The **Italian** municipality of Naples has a 'strategic plan for equal opportunities' aimed at including gender issues in relevant local policies in order to respond better to local needs. The **Polish** strategies for solving social problems bring together various areas and aim at providing a better, faster response to local citizens. To address effectively the many needs that specific target groups have as regards active inclusion, **Germany** has established a special team at the Jobcenter for single parents. The aim is to bring together a wider range of local partners so as to improve networking and make cooperation more efficient<sup>14</sup>.*

*The 'Newcastle Futures' serves as a delivery organisation aligning the resources available from **Newcastle City Council** and Jobcentre in **the United Kingdom** to offer better combined assistance to those most in need. It introduces flexibility into service delivery and increases outreach. It also introduces innovation, for example by engaging coordination with potential service users via social media<sup>15</sup>.*

In many Member States the Active Inclusion Recommendation has acted as a driver for structural reforms and has yielded encouraging results. In measures to combat the crisis, the focus on active inclusion has been helpful in launching the policy debate and providing a policy framework for much-needed reforms. The Recommendation has been an important source of inspiration and has encouraged policymakers to acknowledge that the three strands are interlinked. The country examples below illustrate the significant policy initiatives implemented across the three strands in an attempt to modernise social protection systems, make labour markets more inclusive and broaden access to essential social services. This trend was more evident in countries in which the ex-ante conditionality on active inclusion of European 'structural funds' – and notably the European Social Fund, – has triggered a move in this direction.

Some Member States have found active inclusion increasingly useful in developing policy, but have sometimes focused on policy improvements under a particular strand. Countries such as Italy and Greece have no tradition of using a national minimum income scheme and have been only recently introducing one. With their high levels of unemployment, public policy in these countries has focused mostly on labour market measures. Significant budget constraints may have impeded the development of a broader approach, combining different social services and measures to improve income support for marginalised groups. As unemployment has started to decline and the sustainability of public finances has started to improve, some countries have been able to develop broader active inclusion approaches. The results will take time to work their way through, but they may encourage other Member States to follow suit.

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<sup>14</sup> *The Local Governance of Social Cohesion*, Employment Research Institute, FP7 project LOCALISE, 2013.

<sup>15</sup> *The Local Government of Social Cohesion in Europe*, Employment Research Institute, Edinburgh Napier University, FP7 project LOCALISE, 2013

### Examples of active inclusion reforms<sup>16</sup>

*In 2016 **Romania** adopted a reform of the minimum income system. The Minimum Inclusion Income Act<sup>17</sup> will enter into force on 1 April 2018 and will consolidate three means-tested programmes. It will almost double the current budget and increase the adequacy and coverage of the benefits, aiming to lift 10 % of the population out of extreme poverty. Using a combination of passive and active support, the reform will gradually reduce benefits and introduce more attractive, compulsory labour market measures. In addition, a comprehensive anti-poverty package adopted in 2016 combines EU and national funds for the first time and provides a safety net for people at risk of poverty. It moves away from a benefit-driven policy towards more social services tailored to each age group, including integrated services for marginalised communities. In 2017 a pilot project of teams offering these integrated services will be trialled in 100 of 700 marginalised communities, mostly in rural areas. The project may then be rolled out nationally.*

*Until recently, **Greece** lacked a minimum income scheme to protect people from extreme poverty. In the face of the crisis and rising poverty rates, ‘Social Solidarity Income’, part of the Economic Adjustment Programme, has been designed to fill this gap, with Commission and World Bank support. Following the evaluation of a six-month pilot run in 2014 and 2015, in July 2016 the scheme was launched in 30 municipalities, reaching about 15 % of the Greek population. A full nationwide rollout began in February 2017. In line with the Active Inclusion Recommendation, the scheme has three strands: (1) financial assistance for eligible people/families, (2) improved access to social services and goods, and (3) support services to get beneficiaries who can work (back) into the labour market. Social Solidarity Income is calculated per household and payment is conditional on the beneficiaries fulfilling certain requirements. These include submitting a tax return every year and making sure that their children attend school. Monitoring results show that the scheme is expected to cover around 7 % of the Greek population. The main focus during the initial phase of implementation was on identifying needy households and delivering income support to them. The second and third strands (social services and activation measures) are currently being developed with substantial support from the European Social Fund.*

*In **Italy**, in 2017 the parliament approved a law mandating the government to both take action against poverty and reorganise social assistance benefits and services, through the establishment of a new Inclusion Income. This proposed legislation*

<sup>16</sup> Policy reforms moving towards the active inclusion approach in the countries highlighted here are monitored as part of the European Semester exercise. The reforms are usually assessed in the relevant country reports.

<sup>17</sup> European Commission, 2016a, Background on existing social benefits.

*builds on the national anti-poverty strategy launched under the 2016 Stability Law. The Stability Law has already introduced a national ‘fund to fight poverty and social exclusion’, has put more resources into anti-poverty measures and extended a means-tested benefit called ‘support for active inclusion’ (SIA) nationwide. The SIA measure, based on the principle of active inclusion and moving away from the ‘passive welfare’ approach, aims to provide integrated and customised care for people in need. The SIA should also build the appropriate organisational and social infrastructure to manage the new active inclusion and anti-poverty policies, and should help set basic social benefit levels, under the new Inclusion Income. This is a first step towards establishing both a national minimum income scheme and an integrated social services system for active inclusion.*

*The ‘Third **Basque** Active Inclusion Plan’, implemented between 2012 and 2016, is an example of good regional practice. It showed that the most vulnerable people in society can be successfully integrated through an integrated approach encompassing better access to employment, social and health services, lifelong learning and housing, coupled with better coordination between institutions and the service sector. Cooperation between the relevant stakeholders was paramount to ensure that the most vulnerable people could have a decent income and access to decent work.*

*A second example of good practice from **Spain** is the ‘coordination protocol to better integrate victims of gender-based violence into society and into work’ developed and implemented in the Region of **Murcia**. The protocol helps this particularly vulnerable group with access to information on available public services and employment opportunities. Women who sign up for a training programme are offered help with transport costs and work-life balance measures. The victims of gender-based violence are now offered support through a one-stop shop with customised and confidential assistance from specialised professionals.*

### **3.2. Policy developments across the three strands of the Recommendation**

#### **a) Adequate income support**

Most Member States have put in place nationwide minimum income schemes for those most in need, including those who cannot work<sup>18</sup>. Although minimum income schemes vary a great deal, they have several characteristics in common:

- (i) they ensure that individuals (and their dependants) with no other sources of financial support have their basic needs covered in line with minimum standards;

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<sup>18</sup> Greece and Italy have taken steps to introduce a minimum income scheme at national level. Spain operates a number of regional schemes.

- (ii) they are non-contributory and universal;
- (iii) they require people to be able and available to work; and
- (iv) they are means-tested.

A recent study on the impact of minimum income schemes<sup>19</sup> showed that in most Member States minimum income is too low to lift people out of poverty. The crisis has exerted pressure on income support expenditures in different ways. Some countries have maintained a strong emphasis on adequate livelihoods, while in others expenditure cuts have hit welfare spending. The most common method for measuring adequacy of minimum income reveals that in all but four Member States<sup>20</sup> the minimum income level does not reach the national poverty threshold (60 % of median equalised household income). In 14 Member States<sup>21</sup> minimum income benefits equate to less than three-quarters of the poverty threshold. In two<sup>22</sup>, they equate to less than one-third of the poverty threshold.

The designs of the schemes are rather complex and vary greatly. According to European experts on social inclusion, most countries have a clear mechanism<sup>23</sup> for establishing payment levels, which usually takes account of household composition. The most common approach relates to establishing minimum living standards, using prices, a basket of goods, the absolute poverty line, reference budgets, etc. How often the mechanism for uprating benefits is used and how clear it is also differs widely from one Member State to another. Existing mechanisms are often tied to increases in the standard of living or in the consumer price index. In some countries uprating is not undertaken on the basis of a clear and objective mechanism.

## ***b) Inclusive labour markets***

The Active Inclusion Recommendation reiterated the approach common to almost all Member States of making minimum income provision conditional on participation in activation programmes. Minimum income schemes have mostly switched their focus from passive, unconditional benefits to a stronger emphasis on employment. Activation measures have sought to link minimum income benefits to readiness to work, take up training or develop skills. Frequently, the receipt of benefit payments has been subject to a contract requiring the recipient to actively seek employment or follow a programme of activity in readiness for employment. The activation approach linking rights to responsibilities has been promoted in many countries. In 2015, twenty-one Member States were linking minimum income benefits

<sup>19</sup> *Minimum income schemes in Europe – A study of national policies 2015*, European Social Policy Network.

<sup>20</sup> The Netherlands, the United Kingdom, Ireland and Denmark.

<sup>21</sup> Bulgaria, Romania, Hungary, Lithuania, Portugal, Latvia, Estonia, Slovakia, Poland, Slovenia, Spain, Croatia, France and Belgium (2014).

<sup>22</sup> Bulgaria and Romania.

<sup>23</sup> According to the European Social Policy Network's *Minimum income schemes in Europe – A study of national policies 2015*, no clear mechanism is available in Austria, Belgium, Bulgaria, Denmark, Estonia, France, Croatia, Hungary, Ireland, Latvia, Lithuania, Romania or Slovakia.

to registration with public employment services, and twenty-six of them to mandatory participation in activation measures<sup>24</sup>. Some Member States give greater importance to the right to an income, to social integration and to the kind and quality of the jobs offered. Others give more weight to sanctions, making eligibility criteria stricter and increasing the number of checks on beneficiaries' real willingness to work. However, having the administrative capacity to enforce these tighter conditions remains a challenge in many countries<sup>25</sup>. Lastly, more is being done to integrate those who cannot work and depend solely on social assistance into society.

Progress has also been made in the provision of tailor-made support. The 2016 Council Recommendation on the integration of the long-term unemployed into the labour market<sup>26</sup> calls for tailored job-integration agreements combining services from different providers. Since the Recommendation was adopted in 2016, several Member States have been doing this. For instance, in Slovenia, a customised approach will be developed using a profiling tool and counsellor training to strengthen job-integration agreements. Cyprus has taken steps to encourage job-seekers to register to guarantee themselves a minimum income. Romania has introduced a profiling and client segmentation model to guarantee special treatment for people at the highest risk of exclusion. Slovakia will introduce an individual in-depth assessment to improve access to tailored services<sup>27</sup>.

### *c) Access to Quality services*

Reflecting the increased importance of a holistic support for those furthest from the labour market, many Member States have implemented reforms to better coordinate welfare and employment policies. In most cases this has meant merging unemployment and social assistance benefits and introducing administrative incentives for closer cooperation between employment and social services. Several countries have tested forms of decentralisation or service integration at local level (Austria, Germany and the Netherlands, for example). Seven Member States (Belgium, Cyprus, Germany, some regions of Spain, Luxembourg, the Netherlands and Slovakia) have formal agreements on cooperation between employment and social agencies. The extent of that cooperation varies significantly<sup>28</sup>.

The 2016 Council Recommendation calls for a single contact point to be available to unemployed people at the latest by the time they have been out of work for 18 months. The Recommendation has taken the active inclusion approach on integrated quality services further, spelling out explicitly the delivery standards for this group. Since its adoption a number of countries have made progress in further integrating employment and social services. In 2016 Slovakia adopted an ambitious action plan on long-term unemployment to

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<sup>24</sup> Commission Staff Working Document accompanying the proposal for a Council Recommendation on the integration of the long-term unemployed into the labour market, 17.9.2015, SWD(2015) 176 final.

<sup>25</sup> Ibid.

2016/C 67/01, OJ C 67, 20.2.2016, p. 1.

<sup>27</sup> Conclusions of the Employment Committee's multilateral surveillance on long-term unemployment, Brussels, 15 December 2016. Employment Committee is the main advisory committee for Employment and Social Affairs Ministers in the Employment and Social Affairs Council (EPSCO) in the employment field.

<sup>28</sup> SWD(2015) 176 final.



provide complex tailor-made services via a single contact point, while Romania has put together integrated social teams to work with the most excluded groups.

Consistency in the provision of social services and cash benefits remains a challenge in many Member States, as different authorities and administrative tiers are often involved. So far, closely coordinated or fully integrated and effective employment and social services for those furthest from the labour market are available in some Member States (such as Germany, Denmark, Finland, Ireland, the Netherlands and the United Kingdom)<sup>29</sup>. The kind of integrated system in which benefits and services are run through one-stop shops and led by a single case manager has yet to be developed in many countries.

The Active Inclusion Recommendation highlighted the fundamental role of social services. People who cannot work or are not on the labour market, such as people dependent on social assistance or minimum income, need health, education, finance, housing and other services to support them. However, these services remain under-developed in many EU countries, in spite of progress thanks to European Structural Investments Funds assistance. In countries most affected by high unemployment and under pressure to get public finances under control, social services have had to cope with an increase in service users. (These are often new users, including young people, single parents and the working poor, who had not needed social services before the crisis.) This increase has been coupled with cuts to social services budgets and changes to working conditions stemming from cuts to staff and salaries.

Member States have had to find ways of juggling falling revenue with rising demand and maintaining service access at the same time. Several have had to focus on emergency measures, while access to services and benefits, along with eligibility criteria, have become stricter. Financial constraints have prompted them to find new ways of operating social services, including streamlining and prioritising, in order to minimise the impact of budget cuts on service users. With fewer resources to allocate to active inclusion activities, the focus has been on labour market activation at the expense of active inclusion in society. This partially explains why the provision of affordable quality services, especially housing, childcare and long-term care is the least developed strand of the Active Inclusion Recommendation.

### ***3.3 Implementation of the active inclusion approach – what we have learnt***

An overview of policy developments across the EU highlights a number of issues as regards implementation of the main features of the Active Inclusion Recommendation.

- *The importance of integration and comprehensiveness across all three strands*

To make labour market integration work, the Recommendation underlined the importance of integrated and comprehensive policy measures for disadvantaged people.

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<sup>29</sup> Ibid.



For instance, people lacking basic learning capacities or suffering from addictions do not readily benefit from standard activation policies. Moreover, once they are in employment, they may remain vulnerable if they have no supporting environment. Stable accommodation is important for people taking up and staying in employment. Evidence shows that support for people to stay in stable employment often remains unsuccessful due to a lack of access to affordable housing.<sup>30</sup> Health is also crucial to keeping people in work. This is particularly true for people at risk of poverty, who tend to suffer from poorer health and find it more difficult to get healthcare<sup>31</sup>. The absence of affordable childcare is another example of the hurdles faced by some of the people excluded from the labour market, especially single parents, and predominantly women with young children.<sup>32</sup> In some countries (such as Czechia and Slovakia) indebtedness may also prevent the long-term unemployed from registering for work or taking up a regular job. Language can also represent an obstacle; indeed mastering the language of the Member State is key in order to fully benefit from activation policies, to access services or to participate to the labour market.

That is why, in encouraging disadvantaged people to take up and remain in work, a well-designed and effective activation policy requires active labour market measures, but should also combine these with adequate incentives for making work pay, adequate levels of income support and high-quality social services. Effective coordination across the benefits, individual, tailor-made support to activation and services is crucial to the development of a truly integrated active inclusion approach that can help address the complex barriers that people furthest from the labour market may face.

- *A sharper focus on adequate support for the social inclusion of people who cannot work*

The Recommendation advocated that people who cannot work should have sufficient resources to enable them to live in dignity, together with support for social participation. Member States have defined exceptions to labour market availability along similar lines, including people with disabilities, people not of working age, or those looking after young children or dependent adults. For these people social integration and social inclusion is of the utmost importance; it may make finding a job easier at a later stage. Therefore, access to essential social services and income support are the key effective tools for fostering an adequate standard of living and social participation for people who cannot work.

- *The need for close cooperation among stakeholders, at local level and beyond, and for the active involvement of all relevant partners*

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<sup>30</sup> Commission Staff Working Document, *Confronting homelessness in the European Union*, 20.2.2013, SWD(2013) 42 final.

<sup>31</sup> In 2015 more than twice as many people from the bottom income quintile had a self-reported unmet medical need, compared to the country average (4.1% vs 2.0%). In addition, in 2015 the share of people with a long-standing illness or health problems was 12% higher in the bottom quintile, compared to the country average (38.2% vs. 34.1%)

<sup>32</sup> In 2015, overall 18.8% of women in the EU were inactive due to caring responsibilities (looking after children or incapacitated adults), but there are large differences across the EU ranging from nearly 3% in Denmark to nearly 36% in the UK, Eurostat. .

The Recommendation highlighted that, for active inclusion policies to succeed, the various partners concerned, including social partners and non-governmental organisation, must play their part and cooperate effectively, agreeing priorities and pooling resources to achieve a common goal. Local, regional and national authorities have a fundamental responsibility for designing, funding and administering policies to integrate people furthest from the labour market. They run a wide range of services and programmes to promote active inclusion, including welfare services, employment measures, education and training programmes and childcare. Municipalities and regions are not only responsible for planning and providing services. They are also central to the promotion of economic development, job opportunities and well-being in their communities. Service providers – private, public and mixed – play a key role in implementing these policies at local level. Civil society organisations represent and assist the beneficiaries.

Yet, too frequently, these initiatives are taking place in disconnected areas of social and employment policies. Moreover, the involvement of key stakeholders in designing and implementing active inclusion measures has been limited in many countries.

A successful active inclusion approach calls for close cooperation and aligned implementation processes at the local, regional, national and EU policy levels. Greater internal coordination and capacity-building would shore up partnerships and improve delivery. A number of countries<sup>33</sup> have seen that the closer involvement of all stakeholders can contribute towards greater balance between, and focus on, all aspects of active inclusion.

#### **4. European Union initiatives to support the implementation of the Active Inclusion Recommendation in the Member States**

##### ***4.1. European Union initiatives in line with the active inclusion approach***

To address ongoing social inclusion and employment challenges in the EU, a number of specific initiatives have been developed to give further guidance on applying the active inclusion approach. As a part of the *Social Investment Package*<sup>34</sup> the *Commission Recommendation on investing in children*<sup>35</sup> specifically referred to the need to support parents' participation in the labour market 'in accordance with the principles outlined in the Recommendation on Active Inclusion'.

Growing youth unemployment across the Union led to the adoption of the *Council Recommendation on establishing a Youth Guarantee*<sup>36</sup>, followed by the *Youth Employment Initiative*. This Recommendation highlighted the need for preventive and active labour market policies for young unemployed people, along with closer links and better cooperation between the relevant education institutions and employment services. In line with the integrated active

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<sup>33</sup> *Cities for Active Inclusion – investing in an inclusive society*.

<sup>34</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions, *Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020*, COM(2013) 083 final.

<sup>35</sup> Commission recommendation of 20 February 2013, *Investing in children: breaking the cycle of disadvantage* (2013/112/EU), OJ L 59, 2.3.2013, p. 5.

<sup>36</sup> Council Recommendation of 22 April 2013 on establishing a Youth Guarantee (2013/C 120/01).

inclusion approach, it also called for full access to information about available services, using means such as one-stop shops that offer individual support, and for closer cooperation between employment services, career guidance providers, training institutions and youth support services.

*The Council Recommendation on the integration of the long-term unemployed into the labour market* proposed an intervention model based on job-integration agreements to give tailor-made support, single contact points for better coordination of employment and social services, and more employer involvement.

The Commission also recognises that salaried employment is not the only route available for integration. New business models have the potential of creating opportunities for socially disadvantaged people with difficult access to traditional employment or for those living in disadvantaged areas.<sup>37</sup>

Finally, the preliminary outline of the *European Pillar of Social Rights* fully reflected the active inclusion approach in several of the 20 principles, in particular in the emphasis placed on access to quality services such as childcare, housing and healthcare. The dedicated principle on minimum income addressed the strand on income supports, and placed emphasis on the adequacy dimension, while at the same time highlighting the importance of linking supports to activation and services. During the consultation process around the Pillar, stakeholders were numerous in highlighting the continued need for focus on poverty reduction through a comprehensive mix of adequate income support with essential services and activation measures. In the final proposal text, the Active Inclusion recommendation is mentioned explicitly in several of the 20 principles, reflecting all three strands.

#### ***4.2. European Union measures to help enforce active inclusion in the Member States***

Active inclusion policies are monitored as part of the Europe 2020 Strategy, and its headline targets as part of the European Semester exercise. Since 2012 active inclusion has formed an explicit part of the Annual Growth Survey, which sets out broad policy priorities for the EU as a whole each year. Several recent surveys have underlined the importance of active inclusion in reforming social protection systems in the Member States, and its essential role in reducing poverty and inequalities.

Consequently, the country-specific recommendations (CSRs) issued to the Member States have been systematically addressing challenges around active inclusion. They have advocated:

- addressing the adequacy and coverage of minimum income schemes and unemployment benefits;

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<sup>37</sup> COM(2016) 356 final, 2.6.2016

- improving access to social services (notably to childcare and healthcare);
- improving coordination between employment and welfare policies;
- doing more on labour market activation for vulnerable groups; and
- getting more impact from social spending.

In 2013 a total of 18 CSRs were issued on active inclusion and poverty. In 2014 this increased to 20, reflecting partly the larger number of Member States covered by the Semester, but also the cumulative effects of the economic and financial crisis. By 2015 the number of CSRs had fallen to 16, as a result of a more stable employment and budgetary situation in some Member States and a streamlined Semester process with fewer CSRs in all policy areas. In 2016 the number of CSRs on active inclusion and poverty increased to 18, despite further CSRs streamlining in other policy areas. This further reflects the high priority given to this issue. Inclusive labour markets were the most featured element, followed by adequate income support and access to services.

The 2017 Annual Growth Survey places active inclusion in the context of social policy as a productive factor. The emphasis is on the need to redesign social protection systems to make entering the labour market a more attractive option and provide adequate job security and income replacement. Social protection systems and tax and benefit systems should be modelled so as to provide adequate social support and work incentives and help reduce poverty and inequality.

#### ***Active inclusion in the 2016 European Semester***

*In 2016, the following topics were covered by the country-specific recommendations:*

- *coverage and adequacy of minimum income/social assistance in 6 Member States (Bulgaria, Croatia, Latvia, Lithuania, Spain and Portugal);*
- *coverage and adequacy of unemployment benefits in 3 Member States (Hungary, France and Lithuania);*
- *access to social services and better coordination between employment and social services in 5 Member States (Bulgaria, Estonia, Portugal, Romania and Spain);*
- *labour market activation for disadvantaged groups in 14 Member States (Czechia, Belgium, Bulgaria, Croatia, Cyprus, Finland, Hungary, Ireland, Latvia, Portugal, Romania, Slovakia, Slovenia and Spain); and of people with migrant background in 2 Member States (Finland, Belgium)*
- *implementation of an anti-poverty strategy and rationalisation of social spending in 1 Member State (Italy);*
- *access to quality childcare in 5 Member States (Czechia, Slovakia, UK, Ireland and Spain);*

- *improvements in accessibility or coverage of healthcare in 6 Member States (Bulgaria, Cyprus, Lithuania, Latvia, Romania and Slovenia).*

Implementation of the CSRs and the progress in the Member States is assessed in the Country Reports published as part of the subsequent Semester Cycle. The table below shows the implementation of the 2016 CSRs as assessed in the 2017 Country Reports for the Member States which received recommendations on active inclusion. The table divides each CSR into its three strands and also looks at whether it specifically addressed the need for integration. Some progress has been made in the inclusive labour market and access to services strands, which are also the areas with the largest number of recommendations. Adequate income support is the strand that has received the fewest recommendations, but where progress has also been least substantial.

### *Implementation of the 2016 CSRs on Active Inclusion*

	Adequate Income Support	Inclusive Labour Markets	Access to Quality Services	Integrated Approach
AT		Some progress	Some progress (childcare)	
BG				Some progress
BE		Some progress		
CZ			Some progress (childcare)	
EE		Limited progress (gender pay gap)	Some progress	
ES	Limited progress	Some progress		
FI		Some progress		
FR		Limited progress		
HU	Limited progress	Limited progress		
HR		Limited progress (up-skilling, re-skilling)		Limited progress
IE	Some progress	Some progress	Some progress (childcare)	
LT		Some progress	Some progress (education, health)	
LV	Limited progress	Some progress (employability)	Limited progress (healthcare)	
PT		Some Progress		
RO	Substantial progress	Some/substantial progress	Some progress (early childhood education and care), limited progress (education), limited progress (healthcare)	
SI		Limited progress	Some progress (healthcare) limited progress (long-term care)	
SK		Limited progress (activation measures)/some progress (individual support to jobseekers)	Some progress (childcare)	
UK		Some progress	Some progress (childcare)	

Within the Open Method of Coordination for Social Protection and Social Inclusion, the Commission encourages the exchange of good practice between the Member States and supports them in putting in place integrated active inclusion policies. The *Social Protection Committee* (SPC) has conducted a number of peer reviews<sup>38</sup> and in-depth thematic reviews

<sup>38</sup> The Netherlands (2016), Spain (2014, 2010), Belgium (2013, 2010, 2008), Croatia (2013), France (2012, 2011, 2009), Norway (2009), Germany (2008), Austria (2008).

and the resulting analysis of best practices has served as a source of inspiration for countries that are lagging behind. The *Employment Committee* (EMCO) contributes, among others, by monitoring the implementation of relevant CSRs and the implementation of the Council recommendations on a youth guarantee and on long-term unemployment.

The annual SPC reports use active inclusion principles to analyse key country-specific social challenges and related policy reforms. As a result of this analysis, the most recent SPC annual report<sup>39</sup> includes a specific key message calling for further policy reforms based on the active inclusion approach – in other words, combining adequate income support, high-quality social services and support for activation to encourage people (back) into work. Furthermore, the SPC's *Indicators Sub-Group* is working on indicators to assess the challenges and progress related to the Active Inclusion Recommendation implementation. In particular, the sub-group will develop indicators and possible benchmarks for minimum income to explore the adequacy, coverage and take-up of income support. Building on the voluntary European Quality Framework for Social Services adopted by the SPC in 2010, the sub-group will also explore policy indicators to measure the quality of social services, covering criteria such as accessibility, availability, affordability and coverage.

Social partners have also taken a wide range of actions to support inclusive labour markets, for example regarding working conditions or work organisation. Topics tackled include training, active ageing, health promotion and rehabilitation, mobility, and restructuring, using a combination of tools including social partner agreements, programmes and projects, awareness-raising campaigns, training and online resources.<sup>40</sup>

## **5. The role of EU funding in supporting active inclusion policies**

### ***5.1. The 2007-2013 programming period: wide-ranging support for active inclusion***

Active inclusion was not a specific priority for EU funds during the 2007-2013 programming period. However, the broad range of the *European Social Fund* (ESF) co-financed activities covered many areas of active inclusion (except for income support, which was not eligible). Member State programmes focused primarily on supporting activation services for those furthest from the labour market, such as young people, single parents, people of foreign origin, older people and people with disabilities. In addition, many Member States funded measures for social inclusion and the development of higher-quality, accessible social services for disadvantaged people. In total, EUR 16.5 billion in EU and national funding – or 14 % of the total ESF investments – was allocated to social inclusion, benefiting more than 6 million people. Yet given the persistent social challenges, there was a need to increase support further. Therefore, for the following programming period (2014 to 2020), all Member States were asked to allocate at least 20 % of ESF resources to social inclusion so that people in

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<http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7936&visible=0&preview=cHJldkVtcGxQb3J0YWwhMjAxMjAyMTVwcmV2aWV3>

<sup>40</sup> See more in the *Implementation of the European Framework Agreement on Inclusive Labour Markets* – joint report by the European Social Partners, 24 September 2014



difficulties and people from disadvantaged groups would get more assistance and have the same opportunities as others to integrate into society.

The *European Regional Development Fund* (ERDF) has also played an important role in supporting active inclusion and inclusive growth. During the 2007-2013 programming period ERDF funding totalling EUR 17.7 billion was allocated to social cohesion, and especially to social infrastructure, including education, health, childcare and housing. Of special importance for active inclusion was the EUR 8.5 billion – almost half of all ERDF support for social infrastructure – allocated to educational infrastructure (including training facilities). Support for childcare infrastructure (EUR 689 million in all) also played a fundamental role as it enabled mothers and single parents in particular to return to the labour market. Other types of social infrastructure benefited from a wide range of measures and some EUR 2.3 billion. ERDF funding in this period also covered healthcare infrastructure (EUR 5.2 billion EUR), long-term care services, housing (EUR 895 million) and better access to social services for the most disadvantaged.

Between 2007 and 2013, the *European Integration Fund* (EIF) also supported active inclusion, with 825 million EUR allocated to the integration of third country nationals into European societies. The EIF was primarily targeted at newly arrived immigrants, and was complementary to the European Social Fund (ESF) as it focused on preparatory measures to the integration on the labour market.

Under the *PROGRESS* programme since 2010, and under the *Employment and Social Innovation Programme (EaSI)* since 2014, the Commission has been providing operating grants for European networks actively promoting social inclusion and poverty reduction. This support aims inter alia at moving the social protection policy debate forward in the Member States; improving the way in which existing policies are monitored and assessed for efficiency and effectiveness; and supporting the development and the promotion of innovative policies. Particular attention has been paid to the policy guidelines in the Active Inclusion Recommendation.

The Commission has been funding the development of the *European Minimum Income Network (EMIN)* project and has supported the development of a methodology for comparable reference budgets<sup>41</sup> in the Member States. The EMIN project sought to bring civil society organisations together and forge a consensus on moving towards adequate and accessible minimum income schemes in the Member States. The EMIN2 follow-up project will focus on building national alliances in the Member States to create adequate minimum income schemes and support political dialogue at national level.

The *Pilot project on a common methodology on reference budgets* was a first attempt to use comparisons to quantify certain aspects of a socially acceptable minimum living standard.

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<sup>41</sup> Reference budgets are priced baskets of goods and services that represent a given living standard. See also FP7 Project IMPROVE (2013): Bérénice Storms, Tim Goedemé, Karel Van den Bosch & Kristof Devuyt 'Towards a common framework for developing cross-nationally comparable reference budgets in Europe' and (2016): Tess Penne, Irene Cussó Parcerisas, Lauri Mäkinen, Bérénice Storms & Tim Goedemé 'Can reference budgets be used as a poverty line?'.

The project developed a reference food basket for 26 Member States, together with a reference basket for healthcare, personal care and housing for eight Member States.

Moreover, the EU research Framework Programmes for Research and Innovation (Horizon 2020 and Framework Project 7) have funded a substantial body of research on issues related to social investment, poverty and active inclusion. This has contributed to methodological innovations in the fields of active inclusion and social investment<sup>42</sup>.

### ***EU-funded project examples***

*To increase support for inclusive employment, a programme to bolster **social entrepreneurship** (as recommended by the Active Inclusion Recommendation) was implemented in **Bulgaria** with **European Social Fund** support. The programme helped many people who had been excluded from the labour market improve their quality of life, overcome their social isolation and get back to work. Many ‘sheltered’ workplaces were established for highly vulnerable people, including people with disabilities, single parents, the long-term unemployed, former drug addicts and ex-prisoners. By the end of 2012 around 144 organisations had been trained in how to create sustainable workplaces in the social economy. Nearly 50 social enterprises had been set up or further developed, each offering secure jobs for an average of 9 people.*

*Another ESF project in Bulgaria focused on **bringing the long-term unemployed back into work**. The scheme offered companies financial subsidies to take on new staff and train them for 12 months. The scheme’s participants received monthly payments while learning new skills and gaining experience. Professional mentors selected by the companies supported them in making the smooth transition to working life. The scheme targeted the long-term unemployed; people with low professional qualifications or a lack of skills; unemployed migrants; disabled people; and young people under 29. Initially, more than 52 000 people started work under the scheme. This figure looks set to rise: at the end of December 2015, employers had more than 87 000 potential vacancies to offer. Mentoring in the workplace was provided by 15 558 professionals.*

*From 2013 to 2015 over 160 000 people in **Hungary** took part in a project called **I’m learning again**, offering unskilled and low-skilled people training options matching the needs of the country’s economy to boost their chances of finding work. Support covered the cost of the training, examinations, travel and other relevant and specific needs. Mentoring was made available to help people make the right training and education choices. The project provided poorly educated people with the chance to*

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<sup>42</sup> European Commission (2016): *Fighting poverty and exclusion through social investment: A European research perspective*. Brussels, DG RTD.

Also Conference Report ‘Work, Welfare and Inequalities in Europe: The Research Perspective’, 10 October, 2016 Brussels. DG RTD.  
[http://ec.europa.eu/research/social-sciences/pdf/work-welfare-inequalities\\_conference\\_report.pdf](http://ec.europa.eu/research/social-sciences/pdf/work-welfare-inequalities_conference_report.pdf)

*acquire marketable qualifications, while at the same time focusing on mapping the economy's future skills needs.*

## **5.2. The 2014-2020 programming period: more support for active inclusion**

The effective implementation of the Active Inclusion Recommendation has received a significant boost for the 2014-2020 programming period. About a quarter of ESF funding in the Member States (EUR 21.2 billion) has been earmarked for the thematic objective of 'promoting social inclusion, combating poverty and any discrimination'. The first investment priority here refers to active inclusion<sup>43</sup> and has the highest financial allocation of all investment priorities (15.5 % of the total ESF budget, or EUR 13.4 billion). This ring-fencing of ESF funding is a tangible way of ensuring that the EU's promise to promote social inclusion is backed up by financial commitments from the Member States. An integrated pathway approach to the labour market can be now supported.

In order to ensure that the Member States succeed in combating poverty, funding has been made conditional on their putting in place national active inclusion strategies ('ex-ante conditionality'). More specifically, these strategies must be shaped in accordance with the poverty and social exclusion target of the country concerned, involve the relevant stakeholders and provide a sufficient evidence base to assess progress. By end of 2016 all Member States concerned had fulfilled the ex-ante conditionality on active inclusion. Eleven had adopted a poverty reduction strategy<sup>44</sup>.

The ERDF allocation of around EUR 21.5 billion contributes hugely to inclusive growth reforms in education, healthcare, childcare, housing and other areas of social infrastructure. On top of this the *Fund for European Aid to the Most Deprived* (FEAD) supports EU countries' efforts to speed up social inclusion. It provides material assistance to the most deprived, including food, clothing and other essential personal items that they need to be able to get a job or follow training courses such as those supported by the ESF. In total, over EUR 3.8 billion has been earmarked as FEAD assistance to the Member States for the 2014-2020 period.

The *Asylum, Migration and Integration Fund* (AMIF) also contribute to promote the effective integration of third-country nationals. Member States have earmarked 760 million EUR for integration for the 2014-2020 period.

In addition, the *European Fund for Strategic Investments* (EFSI) contributes to job creation and growth in the EU and has proven useful in encouraging a sustainable increase in investment in infrastructure, innovative projects and small and medium-sized enterprises. In

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<sup>43</sup> Article 3(b)(i) of Regulation 1304/2013 on the European Social Fund refers to 'Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability'.

<sup>44</sup> Comprehensive strategies for poverty reduction were adopted in Estonia, Croatia, Lithuania, Romania, Latvia, Hungary, Cyprus, Slovakia, Italy, Poland and Greece.

just over a year it has already mobilised EUR 154 billion across 27 Member States<sup>45</sup>, including investments in social infrastructure. The Commission has furthermore proposed boosting the social dimension of the EFSI by increasing the total amounts available from financial instruments to support social enterprises and microfinance from EUR 193 million to EUR 1 billion. This is expected to mobilise almost EUR 3 billion in overall investment.

### ***EU-funded active inclusion projects***

*The EU has supported efforts in **Croatia** to provide better access to enabling services to make the labour market more inclusive. The ongoing ‘Support for the welfare sector’ programme aims not only to deliver higher-quality services and eliminate existing gaps, but also to give more of the most disadvantaged people across Croatia access to social services, so that they can play a full part in society and find employment. Support is provided to local social services at the policy planning, implementation and monitoring stages, and involves a wide range of stakeholders.*

*In **Czechia** the ESF supports a housing programme designed to improve access to housing and prevent a build-up of socially excluded locations and homelessness. The aim here is to bring all disadvantaged people, including the long-term unemployed, Roma and homeless people, onto the rental market. At the same time, the programme provides them with social services to prevent them from losing their housing and reintegrate them into society. In addition, it helps foster closer cooperation among all relevant stakeholders, including property owners and social service providers.*

***The Maltese** authorities have taken their integrated active inclusion policies forward, for example, through a comprehensive approach to addressing the needs of vulnerable families. The ESF LEAP! project (2013-2015) sought to reduce poverty by offering integrated, customised support to the most vulnerable families, developing networks and making it easier to use quality services, including social security services, labour market intermediaries, education pathways, housing services and childcare. There are currently 17 government-funded local centres; as of 2016 they have been operating as FEAD distribution points. It is estimated that more than 3 100 families (from around 4 000 FEAD beneficiaries) have been profiled and assisted in this way.*

*The ESF-supported ‘Integration Halland’ project helps asylum seekers in **Southern Sweden** enter the labour market and integrate into society. Sweden has recently been coping with a huge influx of asylum seekers and refugees. In response, the new ESF project is delivering essential support to give these newcomers the opportunity to get find jobs and integrate into society as a whole. A range of activities is available to help migrants settle in, the key goal being to help them into the jobs market by providing them with a full range of advice, training opportunities, internships and*

<sup>45</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *Investment Plan for Europe: evaluations give evidence to support its reinforcement* (2016).

*supported employment schemes. In addition, migrants have the chance to improve their education and skills. Also, health services can help deal with the stress and trauma that some refugees have suffered while fleeing their homelands. The project promises not just general services for asylum seekers, but tailored action to ensure each individual receives the correct support.*

*Lithuania has launched a ‘Social integration of addicted persons’ project. Set to run from 2016 to 2020, the project will see experts provide psychosocial assistance to addicted persons and guide them into training and education. Developing qualifications and skills is another essential part of the support offered, which includes access to mediation services for example in looking for and staying in work.*

Finally, under the *Employment and Social Innovation Programme* in 2014 and 2015 the Commission launched two calls for proposals to promote social policy innovation in integrated social services. The calls sought to foster policy innovation in organising and delivering social services designed to bring service users into the labour market. Policy innovation focused on the integrated delivery of these types of social services, thereby supporting the implementation of the active inclusion approach.

## **6. Conclusions**

Over the past eight years the Active Inclusion Recommendation has promoted an integrated approach linking together income support, labour market activation policies and access to services. It has triggered reforms across the EU and produced encouraging results in some Member States. In others, comprehensive active inclusion strategies and reforms in specific areas have only just begun. They will lay the groundwork for promising results in the future.

Overall progress towards implementing the Active Inclusion Recommendation has been mixed. The arrangements governing benefits, labour market policies and services vary substantially. This is due in part to the range of socio-economic, cultural and institutional traditions in which social inclusion policies have been developed in EU Member States. The shift towards active inclusion has proven slower in some cases; the economic crisis and rising unemployment have caused Member States to switch their priority focus to getting the public finances under control and launching recovery strategies, reflecting a need to reduce public expenditure in the short term.

The assessment of the implementation of the Active Inclusion Recommendation has shown that countries with good linkages between the three strands have had better social outcomes in terms of poverty and social exclusion rates.

After eight years of implementing the Active Inclusion Recommendation, it has become apparent that focus on employment activation is crucial. However, this has to happen in combination with action on income support and social services, if it is to work efficiently and not sideline those most in need. Introducing tougher conditions and rules on eligibility for

income support without providing sufficient services and employment opportunities could lead to a lower take-up of benefits and potentially increase the risk of loosening the safety nets for some of those most in need.

Continued political commitment to active inclusion as a long-term structural reform is essential in order to reap the benefits of the work carried out so far. Integrated and comprehensive active inclusion strategies remain important. That said, they should take into account the following lessons learnt:

- (i) the importance of an integrated, comprehensive approach;
- (ii) the need to better reflect on the link between activation and income support;
- (iii) a clearer focus on adequate support for the social inclusion of those who cannot work; and
- (iv) the need for close cooperation among all partners, including at the local level, and for active involvement on the part of all relevant stakeholders.

The European Semester continues to impress on Member States the need for a more integrated approach to active inclusion. Multilateral surveillance (monitoring member countries' progress implementing reforms working towards the Europe 2020 targets) and exchanges of good practice among EU Member States are important aspects here.

EU financial instruments play a key role in encouraging the development of active inclusion policies. Implementation of the Recommendation has received a considerable boost with the financial support from the European Structural and Investment Funds for 2014 to 2020, especially with at least 20 % of the ESF having been earmarked for social inclusion. Work with Member States is under way to ensure effective use of the ESIF funding for the dedicated investment priorities on active inclusion and access to services.

The success of the active inclusion approach depends on the commitment and full involvement of national, regional and local partners. The Social Protection Committee has an important role to play in monitoring all aspects of implementation of the Active Inclusion Recommendation. This will involve exchanging experiences and working on relevant indicators to improve cross-sectoral assessments and measure progress.

Finally, the development of a European Pillar of Social Rights reflects the active inclusion approach, in particular through the inclusion of a dedicated principle on minimum income which places emphasis on the adequacy dimension, while at the same time highlighting the importance of linking supports to activation and services. This should help steer reform processes in the Member States towards inclusion, employment and growth, driven by a strong social policy agenda.



### **List of abbreviations**

AGS – Annual Growth Survey

AMIF – Asylum, Migration and Integration Fund

CSR – Country-Specific Recommendation

EFSI – European Fund for Strategic Investments

EIF – European Integration Funds

EMIN – European Minimum Income Network

ERDF – European Regional and Development Fund

ESF – European Social Fund

ESIF – European Structural and Investment Funds

EU – European Union

FEAD – Fund for European Aid to the Most Deprived

ISG – Indicator Sub-Group

SIP – Social Investment Package

SPC – Social Protection Committee

SWD – Staff Working Document



## Annex

	<b>Employment rate (15-64 years)</b>	<b>Unemployment Rate (15-64 years)</b>	<b>At-Risk-of-Poverty-or- Social-Exclusion</b>
	<b>2016Q3</b>	<b>2016Q3</b>	<b>2015</b>
<b>EU (28 countries)</b>	<b>67.1</b>	<b>8.3</b>	<b>23.7</b>
Belgium	62.2	8	21.1
Bulgaria	64.2	7.1	41.3
Czech Republic	72.2	4	14
Denmark	75.2	6.5	17.7
Germany	75.0	4.1	20
Estonia	73.2	7.7	24.2
Ireland	65.4	8.2	26
Greece	53.0	22.8	35.7
Spain	60.2	19	28.6
France	64.6	9.7	17.7
Croatia	58.4	11	29.1
Italy	57.6	11.1	28.7
Cyprus	64.0	13.3	28.9
Latvia	68.9	9.8	30.9
Lithuania	70.0	7.7	29.3
Luxembourg	65.1	7.1	18.5
Hungary	67.1	4.9	28.2
Malta	66.5	4.9	22.4
Netherlands	75.3	5.7	16.4
Austria	72.6	6.2	18.3
Poland	64.9	6	23.4
Portugal	66.0	11	26.6
Romania	63.1	5.9	37.4
Slovenia	66.4	7.5	19.2
Slovakia	65.1	9.6	18.4
Finland	70.5	7.7	16.8
Sweden	77.3	6.5	16
United Kingdom	73.7	5.1	23.5