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on Social Inclusion

Assessment of progress towards the
Europe 2020 social inclusion
objectives

Main findings and suggestions on the
way forward

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Assessment of progress towards the
Europe 2020 social inclusion
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Main findings and suggestions on the way
forward

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SHORT REPORT

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1. Preface

In April 2012, Member States submitted to the European Commission their second Europe 2020 National Reform Programmes (NRPs). At the same time, they were also asked to submit their first National Social Reports (NSRs). The NRPs are the means whereby Member States set out their plans each year to achieve the Europe 2020 Strategy's five EU targets.¹ 2011 was the first year EU Member States had to submit their Europe 2020 NRPs to the European Commission and these were then repeated in 2012. The NSRs are a new development introduced in 2012. They arise from the decision by the June 2011 EU "Employment, Social Policy, Health and Consumer Affairs" (EPSCO) Council of Ministers to underpin the social dimension of the Europe 2020 process with a "reinvigorated Social OMC" supported by NSRs covering the three strands of the EU cooperation in the social field (social inclusion, pensions and healthcare and long-term care).²

The first 2012 reports of the European Network of Independent Experts on Social Inclusion assessed the main strengths and weaknesses of the NRPs and NSRs from a social inclusion perspective.³ The experts' assessments focussed in particular on the extent to which the measures outlined in the NRPs and NSRs are likely to ensure progress towards the achievement of the Europe 2020's social inclusion objectives and target. Their assessments have contributed to the European Commission's evaluation of these reports.

This short report provides a concise overview of the main findings from the 27 EU expert's reports. It gives particular attention to the issues of active inclusion and child poverty in view of the forthcoming European Commission evaluation of the implementation of the 2008 Recommendation on Active Inclusion and the forthcoming Commission Recommendation on child poverty and well-being. Drawing on both the independent experts' country analyses and the Network Core Team's (NCT's) overall independent assessment, it also puts forward concrete suggestions for improvements. Thus, the views expressed in this report are those of the independent experts and the NCT and may not necessarily reflect those of either the Commission or the Member States.

The 27 experts' assessments and this report are intended as contributions to the qualitative assessment foreseen in the Joint Assessment Framework (JAF) agreed upon between the SPC, the EU Employment Committee (EMCO) and the European

1 More about the Europe 2020 Strategy can be found on the European Commission's website at: http://ec.europa.eu/europe2020/index_en.htm. For a thorough discussion of some of the major social challenges linked to Europe 2020, see the various contributions included in Marlier, E. and Natali, D. (eds.), with Van Dam, R. (2010). *Europe 2020: Towards a more Social EU?*, Brussels: P.I.E. Peter Lang.

2 Council of the European Union (2011), *Opinion of the Social Protection Committee on reinvigorating the Social OMC in the context of the Europe 2020 Strategy, Opinion endorsed by the Council on 17 June 2011*, Brussels: Council of the European Union. Available at: <http://register.consilium.europa.eu/pdf/en/11/st10/st10405.en11.pdf>.

3 The independent experts' assessment of the NSRs was made on the basis of the eight NSRs that were available at the time. Subsequently, most Member States have submitted NSRs.

Commission.⁴ They are also intended to be a contribution to the future development of the process.

2. Summary

The overall picture emerging from the experts' assessment reports is that the impact of the economic and financial crisis combined with the effects of austerity measures is leading to a deepening of poverty and social exclusion in most countries. This is undermining progress towards the Europe 2020 social inclusion objectives which remain valid and indeed are becoming ever more urgent.

The vast majority of experts do not think that most of the key social inclusion challenges they identify for their country are either "well" or "very well" addressed in the NRPs. Most experts consider that the approach used to address poverty and social exclusion is too narrowly focused. While all agree on the urgency of tackling very high unemployment and serious labour market inequalities this should not be at the expense of other equally urgent issues. Furthermore, the approach to inclusive labour markets is often seen as being too narrow. Many experts are very critical of the lack of a multidimensional, active inclusion approach encompassing in a balanced way adequate income support, access to quality services and an inclusive labour market (i.e. employment activation and support measures) in line with the agreement of the EU "EPSCO" Council of Ministers in December 2008. Too often policy responses are fragmented and partial. Overall, it seems that many Member States have been too much focused on financial consolidation to the detriment of tackling (increasing) poverty and social exclusion.

In the area of employment, key issues that emerge are increasing long-term unemployment and youth unemployment, the high risk faced by immigrants and those from a migrant background, and growing labour market segmentation and inequality. While a range of interesting activation measures are identified, particularly in relation to the young unemployed, many experts comment on the continuing inadequacy of active labour market provisions, particularly for those most distant from the labour market.

A growth in the proportion and severity of income poverty and an increase in income inequalities are highlighted by many experts. However, these issues are neglected in many NRPs and many experts are very critical of the failure to address income adequacy and social protection issues in the NRPs.

Access to services (such as health and social services) receives relatively little attention in most NRPs. A related issue is growing financial pressure on regional/local authorities which is leading to cuts in services and reduced access for most at risk groups. Also, while several experts highlight increasing housing problems (such as a rise in housing costs, shortages of social housing and increasing inequalities between residential areas), limited attention is given to these issues in most NRPs.

A persistently high, and in many instances rising, level of child and family poverty is highlighted as a concern by several experts with increases found more frequently

⁴ The JAF is an indicator-based assessment system, covering both general and specific policy areas under the Employment Guidelines under Europe 2020 (i.e. Integrated Guidelines No. 7 to 10). It should facilitate the identification of key challenges in these areas thus supporting Member States in establishing their priorities, and it should contribute to an overall assessment of progress at EU level. The SPC and EMCO are committed to using the JAF as an analytical tool that can underpin multi-lateral surveillance and evidence-based policy-making, and also support Member States in establishing their reform priorities, benefiting from mutual learning and identifying good practices. For more information on the JAF, see: <http://register.consilium.europa.eu/pdf/en/10/st16/st16984.en10.pdf>; <http://ec.europa.eu/social/main.jsp?langId=fr&catId=89&newsId=972&furtherNews=yes>.

among single parent families and among immigrants. While the issue is acknowledged in several NRPs responses are, overall, quite limited.

While in several countries the elderly have been more protected than other groups from the worst effects of the crisis and financial consolidation, some experts warn that the situation could get worse. However, the issue does not feature in most NRPs and when it does it is mainly focused on pension sustainability and decreasing early exit from the labour market.

Experts identify a number of groups as being at particular risk of severe poverty and social exclusion. These include migrants and people with a migration background, followed by the Roma and the homeless. These also include various groups of children (e.g. families with children in general and especially single parent families, disabled children, children living in/leaving institutions, families with children that are either jobless or with very low work intensity, other socially disadvantaged children). Different groups of the unemployed are also frequently highlighted as being particularly at risk (e.g. young people/ young unemployed with low education, long-term unemployed with health problems; long-term unemployed). Other groups highlighted several times include people with a disability and ethnic minorities. Overall, the experts consider that the situation of groups at special risk is not (very) well addressed in many NRPs. The experts assess that the policy responses in the NRPs are twice as often "not at all appropriately" or "not appropriately" addressed as they are "appropriately" or "perfectly appropriately" addressed.

While most countries have set poverty targets, many experts feel that the national targets vary between being too ambitious to being not sufficiently ambitious. More concretely, many experts find a lack of clarity as to how the poverty target will be met and there is no connection made between the measures in the NRP and the achievement of the target.

Only a few experts provide evidence of any increase in the use of Structural Funds for social inclusion goals. However, several highlight some positive examples of efforts to focus Structural Funds on social inclusion objectives.

Interconnections between the social inclusion target and the other targets remain limited in most NRPs. When they are explicitly addressed, it is frequently in relation to employment and educational disadvantage. In only a few instances have linkages improved since 2011. Some experts note that other measures being introduced in the context of fiscal consolidation are likely to worsen the poverty and social exclusion situation; this would make national social inclusion targets more difficult to achieve and would create new challenges.

Experts consider that governance issues (i.e. integration of NSRs and NRPs into national policy, complementarity between NSRs and NRPs, development of comprehensive and integrated approach, mainstreaming of social inclusion objectives, involvement of regional and local authorities, stakeholder involvement, social impact assessment and evaluation, and public and political debate) are twice as frequently "not at all addressed" as they are "well addressed" in the NRPs and NSRs. The three areas where negative assessments are most common are the lack of public and political debate, the failure to mainstream social inclusion objectives and the lack of social impact assessments and evaluation. While many experts detect some elements of a comprehensive and integrated approach, only five experts think such an approach is really developed in the NRPs. Too often there is a rather imbalanced approach with the main focus being on employment activation and there is a lack of integration between measures. Stakeholder involvement is only rated as being well addressed in two NRPs and two NSRs. There is significant criticism that consultation with stakeholders was still too limited and one-sided, and in several countries experts point to a weakening in consultation.

In the light of their assessment of the NRPs and, when available, NSRs, experts suggested the key country specific social inclusion policy recommendations which they believe the European Commission should make to Member States to strengthen the social inclusion dimension of their policies and to achieve the Europe 2020 poverty and social exclusion targets. The biggest area in which policy recommendations were proposed was in the area of social inclusion governance (26 recommendations). These include strengthening of the overall national approach, improving evaluation and social impact assessments of policies, improving target setting and improving arrangements for involving stakeholders. In terms of specific policy areas, the recommendations reflect the weaknesses experts identified in the NRPs in terms of tackling poverty and social exclusion. Two policy domains stand out: first, income adequacy and income support (24 recommendations) and active inclusion, labour market activation and skills enhancement (15). Straddling both these key areas was low wage and labour market segmentation (8). Other key areas where recommendations were made were child poverty and education (8), access to housing and homelessness (8), access to services (6) and integration of minorities (3).

3. Conclusions and Recommendations

In many countries, the situation of poverty and social exclusion is getting worse and many experts predict that the combination of austerity packages which impact most severely on the most vulnerable and low economic growth means that this negative trend will persist. Particularly worrying trends are the growth in long-term unemployment, the persistence of youth unemployment, the growth in child poverty and increasing labour market segmentation and in-work poverty. There is also an increasing risk of extreme poverty and social exclusion for some groups, in particular some ethnic minorities (especially Roma) and people from a migrant background, homeless people, and people with a disability. In some countries, increases in the cost of living (VAT rises, rising fuel costs, inflation, rising housing costs...) is having a particularly severe impact on the most vulnerable groups and this is often leading to a rise in indebtedness and to an ever growing demand on emergency support services (food kitchens etc.).

In preparing their NRPs, Member States were asked to make "tackling unemployment and the social consequences of the crisis" one of five priorities. In doing so, the European Commission suggested that Member States should give priority to: "Further improving the effectiveness of social protection systems and making sure that social automatic stabilisers can play their role as appropriate, avoiding precipitate withdrawals of past extensions of coverage and eligibility until jobs growth substantially resume. The implementation of active inclusion strategies encompassing labour market activation measures, and adequate and affordable social services to prevent marginalisation of vulnerable groups. Ensuring access to services supporting integration in the labour market and in society, including by ensuring access to a basic payment account, electricity supply to vulnerable customers and access to affordable housing." (*2012 Annual Growth Survey*) In the light of this, it was expected that the 2012 NRPs would have a much stronger social inclusion focus than was evident in most 2011 NRPs. However, while some NRPs have a slightly stronger social inclusion focus, overall there has been little real progress in this area and the specific areas for action identified by the Commission go largely unheeded.

Most NRPs are dominated by austerity measures and financial retrenchment at the expense of social inclusion policies and there is insufficient attention given to the negative social impact of such measures. Social protection systems receive scant attention. A three-pillar active inclusion approach (combining adequate income support, inclusive labour markets and access to quality services in a balanced way) is largely missing. Access to services only receives very limited coverage. There is also

a worrying trend in some Member States of moving the focus away from long-term policies and programmes which address the structural nature of poverty and social exclusion and putting more emphasis on short-term responses to the impact of the crisis. This can also lead to a tendency to individualise the problems of poverty and social exclusion, and to blame individuals for their poverty and social exclusion. This results in more emphasis being put on programmes which focus on changing the behaviour of individuals rather than on addressing the structural causes of poverty and social exclusion. This risks undermining long-term policies and programmes based on social solidarity and people's fundamental social rights.

Insofar as poverty and social exclusion are addressed, the focus is often almost exclusively on increasing access to employment but even here the approach is frequently a rather narrow one which fails to sufficiently address the range of supports necessary to assist those most distant from the labour market. Thus, not surprisingly, in many NRPs synergies between Europe 2020 social inclusion objectives and other Europe 2020 objectives are not explicitly developed. When they are, it is most often in the area of employment and educational disadvantages. It is also clear that social inclusion governance needs further development, especially mainstreaming of social inclusion objectives, social impact assessments and stakeholder involvement.

As mentioned above, only eight NSRs were available in time to be analysed by the national experts in May 2012. This suggests that the reinvigorated Social Open Method of Coordination (OMC), agreed upon by the EPSCO Council in June 2011,⁵ and its key implementation tool, the NSRs, have still to be effectively operationalised and integrated into the Europe 2020 governance cycle. However, the limited attention given to social protection and social inclusion issues in most NRPs and their very narrow approach to poverty and social exclusion issues reinforce the argument that NSRs should be developed as an underpinning to the social dimension of the NRPs. It highlights the necessity to introduce NSRs not only as part of the Social OMC but also as a key element of the social dimension of the Europe 2020 Strategy. This will require that more Member States become convinced of the significant added value of NSRs for the success of the whole Strategy in reaching smart, sustainable and inclusive growth and thus give NSRs a higher priority.

In addition to the low priority given by many Member States to the NSRs, the relatively late agreement between the SPC and the European Commission on the format and timetable of these first NSRs may also partly explain why at the time of finalising this report (mid-July 2012) 11 Member States have yet to submit their NSRs and why many of those that did so produced rather limited reports. Another reason may be the timing of the process. If NSRs are to underpin the social protection and inclusion dimension of the NRPs, as should be the case, then we believe they should precede the preparation of the NRPs. Indeed, it would seem sensible that the preparation of NSRs should begin soon after the issuing of the European Commission's CSRs (in June) so that they can develop responses to any social CSRs as well as address any other key social issues identified by the country. This would also have the advantage of giving time for consultation with relevant stakeholders. However, NSRs should only be finalised after the European Commission has identified in its Annual Growth Survey (AGS) the key social priorities for the coming year so that, if these are not already covered they can be incorporated.

The Europe 2020 objective of an inclusive economy needs to be fully integrated with those of a smart and sustainable economy as agreed by the June 2010 European Council. Thus, the NRPs have to become a (more) balanced and integrated implementing mechanism for these three mutually reinforcing objectives and they

⁵ See above: <http://register.consilium.europa.eu/pdf/en/11/st10/st10405.en11.pdf>.

need to be underpinned by carefully developed NSRs. For this to happen, we would suggest that the following should be priority concerns for the European Commission and Member States in their follow up to the 2012 NRPs and NSRs:

- a) Given the worsening poverty and social exclusion environment and the limited way it has been addressed in most NRPs, and in order to ensure that inclusive growth is given equal status with smart and sustainable growth, it is important that, in developing Country Specific Recommendations (CSRs), the European Commission gives social inclusion issues equal attention when assessing the NRPs and thus, each time it is needed, proposes a social inclusion CSR. Given the great diversity of situations across the European Union (EU) the number of recommendations for any particular country should reflect the extent and urgency of the poverty and social exclusion situation in that country. Social inclusion CSRs should also be developed for Member States in receipt of bail out packages (see c) below).
- b) In identifying social priorities in its Annual Growth Survey for Member States to address in their NRPs and NSRs, the European Commission should further deepen its comparative analysis *inter alia* by making fuller use of the unique potential of the Joint Assessment Framework (JAF) developed jointly by the SPC, the EU Employment Committee (EMCO) and the European Commission,⁶ and identify on this basis “clusters of challenges” faced by Member States which could then be used as a basis for mutual learning (including Peer Reviews). This should then be complemented by in-depth national analysis based on national indicators and qualitative analyses.

In the field of child poverty, the Commission should make full use of the report on “Tackling and preventing child poverty, promoting child well-being” which the SPC adopted in June 2012, and in particular the very useful clustering of countries it has identified in terms of the challenges they are confronted with.⁷

- c) In order to ensure that the NRPs/NSRs and financial consolidation programmes are “socially inclusive” and, as far as possible, do not increase inequalities and worsen poverty and social exclusion, Member States should carry out much more systematically social impact assessments of the measures included in their NRPs/ NSRs and in financial consolidation packages. This will help to mitigate the worst effects on those most at risk of poverty and social exclusion and to ensure that the goal of inclusive growth is fully taken on board in the national decision-making process. In doing so, countries could build on the positive examples highlighted in a few NRPs/NSRs. The Commission and Member States, in the context of the SPC could usefully share expertise in the use of social impact assessments. Member States involved in bail out packages and the Troika (European Central Bank, International Monetary Fund and European Commission) should explicitly undertake social impact assessments before packages are agreed upon between the country and the Troika and before measures are adopted by the countries concerned to implement the package. *Ex post* social impact assessments are also essential to ensure that measures taken in this context have not resulted in increased poverty, social exclusion and inequalities.
- d) In view of the rise in unemployment and especially long-term unemployment, Member States should increase or at least maintain their labour activation

⁶ <http://ec.europa.eu/social/main.jsp?langId=fr&catId=89&newsId=972&furtherNews=yes>.

⁷ The report can be downloaded from the SPC’s web-page: <http://ec.europa.eu/social/main.jsp?catId=758&langId=en> (two separate files in the right column of the page; one for the main report and one for its annexes).

support services and in doing so they should better target those groups most distant from the labour market.

- e) The European Commission, particularly in its 2013 AGS, should further emphasise the key role played by social protection systems in preventing and protecting people from poverty and social exclusion and should highlight the importance of maintaining effective social protection systems which provide adequate levels of income support and access to essential services. Countries should be reminded of their commitment to ensure that minimum income schemes are in place which guarantee an income sufficient to live life with dignity in line with the requirements of the 1992 EU Council Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems and with the 2008 European Commission Recommendation on the active inclusion of people excluded from the labour market.
- f) Member States should take care that, in the process of financial consolidation, they do not substitute short-term emergency measures for core social protection policies and programmes which are key to preventing poverty and social exclusion arising and which are a long-term investment in addressing the structural nature of poverty, social exclusion and inequality. Where short-term emergency measures are needed to assist those in a crisis situation, they should be developed in ways that do not undermine the long-term development of inclusive social policies and programmes. Member States and the European Commission should give greater attention to the impact of financial consolidation policies on children. In this regard, the forthcoming European Commission's Recommendation on child poverty and well-being can represent a unique opportunity to make the situation of children a more central concern in future NRPs and NSRs.
- g) The forthcoming Commission evaluation of the implementation of the Active Inclusion Recommendation should encourage Member States to adopt a more integrated approach to promoting active inclusion, combining the three pillars (adequate income support, inclusive labour markets and access to quality services) in a balanced and mutually reinforcing way, in line with the December 2008 agreement of the EPSCO Council of Ministers.
- h) Addressing growing inequalities should become a central concern of the Europe 2020 process and of responses to the economic and financial crisis. In this regard, the European Commission should build on its December 2011 *High-Level Conference on Inequalities in Europe and the Future of the Welfare State*⁸ (by publishing a Conference report and by making this Conference an annual event). Member States should give a much higher priority to reducing inequalities in future NRPs and NSRs. The Social Protection Committee and its Indicators' Sub-Group could also usefully contribute to advancing work on these important issues.
- i) Member States should better identify and give a higher priority in their NRPs/NSRs to measures aimed at protecting those groups who are especially at risk such as immigrants, the Roma, the homeless and people with disabilities.
- j) Member States should review their arrangements for the effective involvement of stakeholders so that the Europe 2020 process can be enhanced by more in depth participation and by sufficient time being allowed for consultations to be meaningful.

8 <http://ec.europa.eu/social/main.jsp?langId=en&eventsId=357&furtherEvents=yes&catId=88>.

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- k) Member States should underpin the social inclusion aspects of their future NRPs with well-developed NSRs which adopt a comprehensive and multi-dimensional approach to issues of poverty and social exclusion. In doing this, countries could build on the positive examples of those Member States who have already integrated their NRPs and NSRs so that these policy documents are mutually reinforcing.
- l) In view of the late/non delivery of most 2012 NSRs, Member States and the European Commission, in the context of the SPC, should reflect on the reasons for this so as to avoid the situation arising again in the future. In particular, it is suggested that they review the timing of the NSRs and consider the possibility of submitting them in advance of the NRPs so that they can better underpin the preparation of the social dimension of the NRPs. The preparation of NSRs should begin soon after the issuing of the Commission's CSRs but should only be finalised after the Commission has identified in its Annual Growth Survey (AGS) the key social priorities for the coming year.

Assessment of progress towards the Europe 2020 social inclusion objectives

With its objective of inclusive as well as smart and sustainable growth, and with its (first ever) EU poverty and social exclusion target, the Europe 2020 Strategy (potentially) increases the importance of the EU's social objectives and integrates them with the EU's economic, employment and environmental objectives. The National Reform Programmes (NRPs) are the means by which countries are expected to translate the Europe 2020 objectives and targets into national policies. 2012 is the second year Member States have had to submit their Europe 2020 NRPs to the European Commission. The National Social Reports (NSRs) are a new development introduced in 2012. The EU Council of Ministers decided to underpin the social dimension of the Europe 2020 process with a “reinvigorated Social Open Method of Coordination” supported by NSRs covering the fields of social inclusion, pensions and healthcare and long-term care.

Members of the EU Network of Independent Experts on Social Inclusion assessed, from a social inclusion perspective, their countries' NRPs and – when available – NSRs. In particular, they assessed the extent to which the measures outlined in the NRPs (and NSRs) are likely to ensure progress towards the achievement of the Europe 2020's social inclusion objectives and target. This short report, prepared by the Network Core Team, summarises the main findings of the independent experts' country analyses. It also puts forward concrete suggestions for strengthening the social inclusion dimension of the NRP process in future.