



EU NETWORK
OF INDEPENDENT
EXPERTS ON
SOCIAL INCLUSION

2011 ASSESSMENT OF SOCIAL INCLUSION POLICY DEVELOPMENTS IN THE EU

HUGH FRAZER AND ERIC MARLIER

NATIONAL UNIVERSITY OF IRELAND MAYNOOTH, CEPS/INSTEAD

JANUARY 2012

MAIN FINDINGS AND SUGGESTIONS ON THE WAY FORWARD



On behalf of the
European Commission
DG Employment, Social Affairs
and Inclusion

Disclaimer: This report reflects the views of its authors and these are not necessarily those of either the European Commission or the Member States. The original language of the report is English.



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1. Preface

This report is the summary of an overview of the main findings of the third round of national reports written by members of the EU Network of Independent Experts on Social Inclusion in October 2011. The experts were asked to assess the policy developments in their countries during 2011 impacting on poverty and social exclusion in the light of the National Reform Programmes (NRPs), the Stability and Growth Pact (i.e. the annual Stability or Convergence Programmes), the country specific recommendations (as approved by the EU Council of Ministers), and the “Euro Plus Pact”. They were also asked to monitor the social impact of the financial and economic crisis and of austerity measures. Their country reports and this Synthesis Report are intended to assist the European Commission in monitoring the Europe 2020 process from a social inclusion perspective and in the preparation of inputs into the Social Protection Committee (SPC) agenda.

This analysis has been produced by the Network Core Team (NCT). In view of the forthcoming Recommendation on child poverty and well-being that the European Commission is planning to adopt in the second half of 2012, the NCT gave particular attention to this issue when drafting the report. The report also draws on both the independent experts’ country analyses and the NCT’s overall assessment to put forward concrete suggestions for improvements in the social dimension of the Europe 2020 process.

2. Summary

2.1 Description and diagnosis of situation

In spite of the constraints of the lack of timely data, experts conclude that during 2011 the impact of the financial and economic crisis and of the austerity measures has led to an increase in poverty and social exclusion in more than half of the Member States, to a reduction in just 2, and to no change in the others.

2.1.1 *Unemployment and jobless households*

In the countries where the situation has worsened over the past year, the most frequently cited factor for the worsening situation is a fall in employment rates and a rise in unemployment or the persistence of an already high level of unemployment. Many experts particularly highlight the poor situation of the young unemployed. They also stress the growing proportion of long-term unemployed. This seems to be the case both for countries with very high unemployment and declining employment rate and also for some countries where employment has grown and unemployment fallen.

2.1.2 *Relative income poverty, financial stress and material deprivation*

The lack of up-to-date national data on relative income poverty or material deprivation means that experts have had to use other sources in order to try to assess trends in income poverty since last year. For instance, several cite increases in the number of recipients of social assistance benefits as an indicator of a rise in (income) poverty. Another frequently mentioned

indicator is the growing demands on frontline services and on Non-Governmental Organisations (NGOs) to provide emergency help. Many experts report the increasing difficulty in paying bills and a rise in indebtedness as evidence of rising poverty; they draw attention, in particular, to frequent problems encountered with the repayment of housing loans. Some experts highlight the rising cost of living and especially the faster than average increase in the price of basic goods. Several experts suggest that significant falls in wages and a rise in precarious and part-time employment has led to an increase in in-work poverty. Overall, it is clear from the experts' reports that there is a combination of different factors that are worsening income levels.

On the basis of 2010 data, several experts point to a downward trend in the national at-risk-of-poverty threshold resulting from the fall in national median household income. At the same time, they note that the burden of this reduction falls more on those living on a low income. Many consider it likely that this trend will have continued into 2011. Likewise, although the 2011 data on material deprivation are not yet available, many experts note an already rising trend in 2010 and consider that this is likely to have continued.

2.1.3 Groups most at risk

On top of the general tendency for poverty, social exclusion and inequality levels to rise in many countries, a number of experts emphasise the importance of identifying groups that are particularly vulnerable in the current situation. The groups that are most often highlighted by experts are children, immigrants and people from a migrant background, ethnic minorities (especially Roma), and people with disabilities. In some countries, experts also cite older people and the homeless and several highlight a higher risk for women.

2.1.4 Growth in inequalities and geographic disparities

Several experts suggest that the current crisis has been reinforcing long-term trends to growing inequality in society. Thus, where there has been some economic recovery the benefits are often not evenly shared. Many also stress that the impact of the crisis varies significantly within countries with particular localities or regions being more affected. This often reflects existing structural imbalances within countries which the crisis could further exacerbate.

2.1.5 Likely future trends

Many experts are pessimistic about the year 2012, with the impact of the European and international economic and financial crisis continuing and perhaps worsening together with the deepening impact of austerity packages. Some experts also warn that the intensity or depth of poverty may increase. The negative trends lead some experts to highlight the risk that the national and EU social inclusion targets set in the context of Europe 2020 be not achieved.

2.2 Measures taken by governments

2.2.1 *Active inclusion*

There is little evidence in most countries of an approach to active inclusion which, in line with the 2008 EU Recommendation in this area¹, combines in a balanced way what should be seen as the three equally important “pillars” of active inclusion, namely: inclusive labour markets, adequate income support and access to high quality services. Far more attention is given to the first pillar (improving employment activation policies/ measures) than to the other two. Indeed, a large number of experts consider that the policy framework for income support and services has weakened over the past year. Out of the three active inclusion pillars, employment support and activation is the one where the most experts (10) consider policy actions/measures introduced recently to have strengthened the policy framework. On the other hand, income support is the pillar in which the highest number of experts (13) sees a weakening in provision, with only 3 seeing an improvement. As regards access to quality services, in many (12) countries experts consider that austerity measures are leading to a contraction or lowering of quality in public services that are particularly important to people at risk of poverty and social exclusion; only a few (5) think they have contributed to strengthening them.

2.2.2 *Housing exclusion and homelessness*

In spite of the fact that the collapse of a housing boom was the trigger for the economic and financial crisis in several countries, only one expert considers that policies in relation to housing exclusion and homelessness have been strengthened during the past years and 10 consider that they have been weakened.

2.2.3 *Migrants and ethnic minorities*

Although migrants and ethnic minorities emerge as some of the groups most badly affected by the crisis, only a few (4) experts consider that Member States have strengthened policies in this area and many (8) consider the policy framework has been weakened.

2.2.4 *Older workers and young workers (under 25)*

There are more positive developments in the policy framework for younger than older workers. Some nine experts identify improvements in supports for younger workers compared to 5 who think the situation has worsened. Six experts consider that the policy framework for older workers has been strengthened compared to five who think it has been weakened.

2.3 Monitoring and evaluation

Only two experts consider that their Member States systematically monitor the developing impact of the crisis and/or fiscal consolidation packages on poverty and social exclusion. However, fifteen consider that the situation is somewhat monitored. Ex-ante impact

¹ See: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:307:0011:0014:EN:PDF>.

assessments of fiscal consolidation measures are very limited in most countries with only two experts finding that they are used regularly. However, more encouragingly fourteen experts report that they are used occasionally and several report interesting practices/ developments (such as poverty impact assessments or “poverty proofing” of new measures, pilot/ testing projects, macroeconomic modelling for assessing the impact of changes in the social policy regulations and reforms, etc.).

2.4 Child poverty and social exclusion

2.4.1 The situation of children

A strong theme in the experts’ reports is that children are at particular risk during the financial and economic crisis as in most Member States they have a higher risk of poverty and social exclusion than adults. Most experts highlight that lone parent families and families with three or more children are especially at risk. In some countries, experts stress that poverty and social exclusion of children is likely to get worse in the next few years.

It is clear that the situation of many children has worsened in a number of countries as a result of a combination of different factors such as: unemployment, fall in wages, decline in income support, and cut backs in services. Many experts stress that high unemployment has a significant impact on children. Several experts stress that some children are at particularly high risk such as children living in areas of high disadvantage and Roma children.

2.4.2 Policy developments

In only five cases do experts consider that policy actions/measures introduced over the past year (both those introduced in the NRP and those introduced in other new policies) have strengthened the policy framework for addressing child poverty and social exclusion and for improving child care. Indeed, it is very worrying that many experts (12) consider that policy actions and measures introduced over the last year have weakened the policy framework for tackling child poverty and social exclusion and that this has contributed, or will in the future contribute, to greater child poverty and social exclusion. Too many Member States seem to have taken a short-term approach and to cut supports for children without taking into account that this will have long-term negative social and economic costs both for the children and for the entire society and economy. In general, austerity programmes are seen to seriously impact on the situation of children and there is a lack of investment in tackling child poverty and social exclusion. Even where there are some positive initiatives to counter the effects of the crisis on children, these are often outweighed by the impact of other austerity measures.

Many experts are critical that austerity packages have often involved either reductions in expenditures on income support for children or have led to payments not being uprated in line with inflation. However, a few experts identify some positive initiatives to enhance income support for children. The picture is often more positive in relation to employment activation, with most Member States giving a high priority to activating parents as a means of tackling child poverty and social exclusion. However, access to services for children, as with services generally, has often been affected by cut backs in budgets of local authorities. Many experts highlight restrictions in or inadequate expansion of child care provision, though a few record improvements. In relation to education, there is a fairly equal mix between restrictions and

improvements with several experts noting that cuts in education budgets often particularly affect children from a disadvantaged background.

Many experts stress the importance of an integrated approach to tackling child poverty and social exclusion that cuts across different policy areas and is delivered in a coordinated manner at local level. However, it seems that in many countries the approach followed during the economic crisis remains rather fragmented. Often the focus is too narrow, with just an emphasis on increasing access to the labour market for parents and, to some extent, improving child care. However, here again a few experts highlight interesting examples of a more integrated approach at local level.

3. Some conclusions and suggestions on the way forward

It is clear from the experts' reports that, while the depth and intensity of poverty and social exclusion varies widely across countries, in very many Member States, including some of those where there has been an economic upturn, the impact of the financial and economic crisis and of austerity measures on poverty and social exclusion has continued to worsen. The focus on fiscal consolidation has, in many cases, been at the price of social policies. There is too often a lack of a longer term vision or sense of the need to invest in developing inclusive and sustainable societies. The importance of the long-term negative consequences of reductions in support for children and their families often appears not to have been taken into account. However, it is also clear that some countries have given more attention than others to mitigating the worst effects of fiscal consolidation and have tried more actively and successfully to protect the most vulnerable. From a social inclusion perspective, two things above all often seem to be lacking: a balanced approach (which recognises the interdependence of economic, social and employment policies, and which seeks to create mutually reinforcing synergies between them) and a long-term vision of the need to build a more inclusive society (as this is an essential ingredient for a successful and sustainable economy). The Europe 2020 objective of inclusive as well as smart and sustainable growth seems to be largely missing from most Member States' priorities during 2011 and the objective to reduce poverty and social exclusion by at least 20 million seems largely forgotten.

In the light of the findings from the experts' reports, the following are some suggestions for revitalising and reinvigorating the social dimension of the Europe 2020 Strategy.

1. The next round of National Reform Programmes (NRPs) needs to refocus on the original spirit and objectives of Europe 2020 as agreed by the EU Heads of State and Government in 2010 – i.e., ensure a balanced and mutually reinforcing approach to the implementation of the three priorities of smart, sustainable and inclusive growth and their related targets. This will mean giving much greater attention to the issue of inclusive growth.² Thus, guidelines for the next round of NRPs could usefully require Member States:
 - a. to provide social impact assessments for all key policy actions/measures outlined in their NRPs and also those developed in the context of economic austerity packages and of the new economic governance (including the "Euro-Plus-Pact"), in line with both

² Inclusive growth was recognised by EU leaders as "fostering a high-employment economy and delivering social and territorial cohesion" and it is therefore about "empowering people through high levels of employment, investing in skills, fighting poverty and modernising labour markets, training and social protection systems so as to help people anticipate and manage change, and build a cohesive society".

- the Lisbon Treaty's "Horizontal Social Clause"³ and the Europe 2020 Integrated Guidelines; when assessing their social impact, actions/ measures should be considered not only individually but also altogether – i.e. the cumulative impact (also) needs to be assessed. Those Member States who are subject to a European Union/ International Monetary Fund lending programme, and thus who are not required to submit a separate NRP, should be asked to produce social impact assessments in the context of their regular reporting on the implementation of the lending programme;
- b. to give a higher priority to social policies and to the three strands of active inclusion (i.e., inclusive labour markets, adequate income support and access to high quality services);
 - c. to develop policies to reduce high levels of inequality⁴;
 - d. to identify areas of multiple disadvantages and develop integrated responses to their problems;
 - e. to identify and give particular attention to the most disadvantaged and at risk groups such as the long-term unemployed, the young unemployed, people with disabilities, immigrants and people from a migrant background and Roma.
2. The extent to which social impact assessments are undertaken by Member States would need to become part of the annual review process of the social dimension of the Europe 2020 Strategy. In order to assist countries, the European Commission, in conjunction with the Social Protection Committee, could usefully develop methodological guidance on the use of social impact assessments and continue to promote the exchange of learning and good practice in this field as it did recently in the context of an EU Peer Review on "Developing effective ex-ante social impact assessment with a focus on methodology, tools and data sources" (Brussels, 17-18 November 2011⁵).
 3. In the light of the June 2011 decision of the EPSCO EU Council of Ministers to relaunch a "reinvigorated" Social Open Method of Coordination (OMC), with Member States submitting National Social Reports from 2012, the social dimension of the NRPs should draw on these NSRs which are expected to cover social inclusion, health and long-term care, and pensions. The social inclusion dimension of the National Social Reports should present national strategies to prevent and tackle poverty and social exclusion.

³ The so-called Horizontal Social Clause (Article 9 of the Treaty on the Functioning of the European Union (TFEU)) states that: "In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health." It is important to highlight that "the Union" refers here to both the EU as a whole and its individual Member States.

The own-initiative opinion by the European Economic and Social Committee (EESC) on *Strengthening EU cohesion and EU social policy coordination through the new horizontal social clause in Article 9 TFEU* is also worth mentioning. It was adopted on 26-27 October 2011 with an exceptionally high level of support and is an important contribution to the debate on how this very important Clause can be used to strengthen the EU's social dimension. It can be downloaded from: <http://www.eesc.europa.eu/?i=portal.en.soc-opinions.14961>.

⁴ Some of the presentations, papers and reports from the European Commission conference on *Inequalities in Europe and the Future of the Welfare State* (held in Brussels on 5-6 December 2011) provide a useful starting point for further work on this issue by the Commission and Member States. These can be downloaded from: <http://www.destree.be/inequalities/>.

⁵ For more information on this and other Peer Reviews organised in the context of the EU programme on "Peer Reviews in Social Protection and Social Inclusion", see: <http://www.peer-review-social-inclusion.eu/peer-reviews>.

4. For their potential to be used to the full, National Social Reports would need to be analysed and peer reviewed by the European Commission and the Social Protection Committee. In this context, it would be important to ensure that the social inclusion targets set by each Member State contribute satisfactorily (for instance, proportionally) to achieving the overall Europe 2020 social inclusion target. It would also be important to put in place an effective monitoring tool for measuring progress towards the EU social inclusion target and related national targets – especially when national targets are not framed in terms of any of the three indicators that compose the EU target.
5. In assessing the National Reform Programmes, the European Commission (in close consultation with the Social Protection Committee) should identify weaknesses and make suggestions to Member States on strengthening their social policies in general and their social inclusion policies in particular.
6. In the light of the findings on child poverty and social exclusion, the forthcoming European Commission Recommendation on child poverty and well-being could usefully be used as an important element to boost the reinvigorated Social OMC and to link better the Social OMC to the Europe 2020 process. To this end, Member States could be encouraged, as part of their Europe 2020 targets, to set sub-targets on the reduction of child poverty and social exclusion and, as part of their regular national reporting on social inclusion, they could be asked to report regularly on efforts to reduce child poverty and social exclusion. They could then reflect these efforts in their NRPs. All of this could be reinforced through regular monitoring of Member States' efforts on this issue as well as through exchange of learning and good practice in line with the Commission's Recommendation.
7. In the light of the findings on active inclusion, a high priority should be given by the European Commission to its review of the actual implementation of the Recommendation on active inclusion. In doing so, particular attention should be given to assessing the extent to which a balanced and integrated approach is being pursued by Member States to all three strands of active inclusion. This could lead to the European Commission giving, where necessary, clear advice to Member States on how to achieve a (more) balanced implementation.
8. The new EU moves to increased coordination and discipline in the area of fiscal and economic governance should take into account the goal of social fairness and social inclusion. Thus, in future, economic policies could be required to contribute to greater social inclusion and Member States could undertake impact assessments in this regard. The EU could also take this goal into account when monitoring and policing the new fiscal and economic governance arrangements.⁶
9. Urgent steps should be taken to resource and improve the availability, timeliness and analysis of social protection and social inclusion data including improved regional (and local) data.
10. EU Structural Funds, as has already been proposed by the European Commission, could play an enhanced role in promoting social inclusion and in encouraging an integrated approach to tackling the problems of areas of multiple disadvantages.

⁶ The aforementioned conference on *Inequalities in Europe and the Future of the Welfare State* provides useful elements for launching a joint reflection by the Commission, the Social Protection Committee, the Employment Committee and the Economic Policy Committee on the potential role of tax systems in addressing inequalities.



<http://www.peer-review-social-inclusion.eu>

2011 Assessment of Social Inclusion Policy Developments in the EU

This short report was produced to assist the European Commission in monitoring the Europe 2020 process as well as the impact of the financial and economic crisis and of the fiscal consolidation measures from a social inclusion perspective. It provides an overview of the main findings from an analysis of 27 country reports prepared by members of the EU Network of Independent Experts on Social Inclusion. In these reports, the Network's experts assessed the impact on poverty and social exclusion of the main policy developments in the Member States during 2011. They did so in the light of the implementation of the National Reform Programmes (NRPs), the Stability and Growth Pact, the country specific recommendations (as approved by the EU Council of Ministers) and the "Euro Plus Pact" in their respective countries. This overall report also draws on both the independent experts' country analyses and the NCT's overall assessment to put forward concrete suggestions for improvements in the social dimension of the Europe 2020 Strategy.