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Social investment: Commission urges Member States to focus on growth and social cohesion – frequently asked questions

(see also [IP/13/125](#) and [MEMO/13/118](#))

What is the Social Investment Package?

The Social Investment Package (SIP) sets out a framework for policy reforms to render social protection more adequate and sustainable, to invest in people's skills and capabilities, and to support people throughout the critical moments experienced across their lives.

What is social investment?

Social investment helps people to adapt to societal challenges such as a changing labour market, and helps people to avoid hardship such as falling into poverty or losing their homes. Examples are early childhood education and care, prevention of early school leaving, lifelong learning, training and job-search assistance, housing support, accessible health services and facilitating living independently in old age. Social investment is one of the functions of social policies, alongside social protection and stabilisation of the economy.

Why now?

The crisis has exacerbated social and economic pressures. Almost 120 million people, 24.2% of the population in the EU27, are at risk of poverty or social exclusion. Unemployment has reached a new high of more than 26 million people or 10.7 % of the active population. The youth unemployment rate has dramatically increased to 22.7 %, and 7.5 million young Europeans (12.9%) between 15 and 24 are not employed, not in education and not in training. Homelessness has grown in most Member States, reaching an unprecedented level.

Major reforms are needed in Member States to adapt to these challenges which come on top of longer term ones such as demographic ageing. Action or inaction in one Member State can have a major noticeable impact at European level. Low investment in education or training in some Member States has implications in terms of lower skilled workforces, which can have negative impacts in overall economic competitiveness. Conversely, large but inefficient or ineffective spending on social policies can have implications in terms of overall EU financial stability and growth.

What about the different social and economic situation in Member States?

Despite differences in the economic, employment and social situations of Member States, the demographic changes and the economic challenges posed by the crisis are common across Europe. The number of people at risk of poverty and social exclusion has increased since 2008 in 18 out of the 26 Member States for which data are available in 2011.

Within the framework of the European Semester, the guidance provided by the Social Investment Package will be reflected in the monitoring exercises for steering Member States' reforms towards the Europe 2020 targets. The specific challenges and priorities in social policy facing individual countries will be addressed in this context through Country Specific Recommendations (CSRs) proposed by the Commission and endorsed by the European Council.

The Package also provides guidance on how EU funds can best be used to support the implementation of these CSRs, including assessing Member States' progress in implementing the reforms.¹

How can EU funds support social investment by Member States?

EU funds are vital instruments to support social investment in the Member States. For the next Multi-annual Financial Framework (2014-2020), the Commission has proposed that at least 25% of cohesion policy funding should be allocated to the European Social Fund (ESF)², and the ESF's budget is expected to increase by 10% (€84 billion versus 76 at present)³. The objective of the ESF is to increase employment opportunities, promote education and lifelong learning, enhance social inclusion, contribute to combating poverty, and enhance institutional capacity and efficient public administration. Moreover it has been proposed that at least 20% of total ESF resources in each Member State shall be used for 'promoting social inclusion and combating poverty'. Funding under the ESF⁴ will continue to be complemented by further financing from the European Regional Development Fund, notably for investing in health, social, childcare, housing and education infrastructure, as well as support for physical and economic regeneration of deprived urban and rural communities.

The new Programme for Social Change and Innovation (PSCI)⁵ will support the development and coordination of social investment policies, sharing of best practices, capacity-building, and testing of social innovations, with the aim that the most successful measures be up-scaled. The new Fund for European Aid to the Most Deprived (FEAD) will provide support to ensure that adequate livelihoods are secured by addressing food deprivation, homelessness and material deprivation of children.

¹ See the Staff Working Document on 'Social Investment through the European Social Fund' for more details.

² EU Cohesion Policy 2014 – 2020 Proposals from the European Commission

³ EU Cohesion Policy 2014 -2020 Investing in growth and jobs

⁴ See SWD on “Social Investment through the European Social Fund”

⁵ A funding programme that will integrate PROGRESS, EURES and the European Progress Microfinance facility.

How will the Social Investment Package help Member States to meet the Europe 2020 target of reducing poverty and social exclusion by at least 20 million people?

Progress has stalled in reaching the 2020 target to reduce the number of people at risk of poverty and social exclusion by at least 20 million. Indeed, between 2010 and 2011, the number of people at risk of poverty and social exclusion increased by more than three million. This adversely affects not only the individuals concerned but also society as a whole.⁶

The Social Investment Package recalls that having a job is usually the best way to prevent poverty and social exclusion. Promoting inclusive labour markets is therefore essential, and the Package calls on Member States to promote labour force participation. There is a need for integrated services and benefits to enhance people's capacity to participate in society and economy. Investing in preventive social services can also stop hardship before it happens. Affordable health and care services, accessible childcare, activity centres, homelessness prevention and implementing housing-led homelessness strategies⁷ are some examples of this. Benefits must also provide for appropriate living standards and should be sufficient and well-designed so as to offer beneficiaries an exit strategy from difficult circumstances. The Package announces the development of so-called reference budgets which will make it possible for Member States to determine whether the benefit level allows for efficient and adequate income support.

Does the Social Investment Package seek higher spending on social policies?

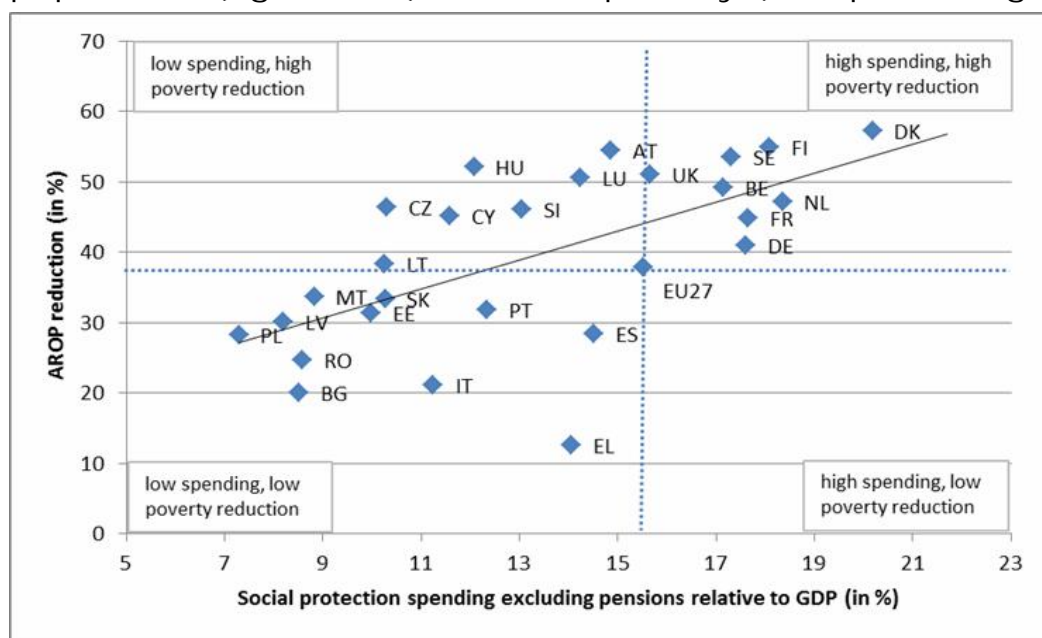
The Package demonstrates that, within the current budgetary constraints, better social outcomes can be achieved without necessarily spending more.

The Package recalls that Member States with comparable budgets have often very divergent social outcomes. This suggests that there is room for efficiency gains in many countries, as shown in the graph below:

⁶ See SWD "Evidence on Demography and Social Trends – Social Policies' Contribution to Inclusion, Employment and the Economy"

⁷ 'Housing-led' is a general policy principle (or approach) for homelessness strategies. It means that homeless strategies should be geared as a final aim towards securing permanent accommodation to (at-risk-of) homeless people.

Relationship between social protection spending (excluding pensions, relative to GDP) and relative reduction in the share of population (aged 0-64) at risk of poverty (as a percentage) (2010)



Source: ESSPROS and EU-SILC.

The Package emphasises for instance that simplifying benefit administration can save time and money, as well as making access to support easier. Multiple benefits, agencies, and assessment methods designed in isolation from each other make accessing benefits more difficult and more time consuming. It also makes it harder to provide individualised, integrated support that responds to people's complex situations. One-stop-shops to access benefits and services can address these problems and improve efficiency. Eliminating multiple benefit applications also makes it easier for people to be informed about the benefits and services available to them, and makes it less time-consuming to access support.

What is the point of activation when there are not enough jobs?

Unemployment has risen dramatically during the crisis, but it has not impacted everyone equally. Women with children, young people and people with lower skill levels have been more affected; they are more vulnerable to unemployment and more likely to experience it over the long term⁸. The SIP addresses this by pointing to the need to invest in activating and training measures to help people that are in more vulnerable situations to acquire the skills they need to compete for the available jobs. This will also need to be accompanied by reforms to make labour markets more inclusive, ensure quality and accessible childcare and other care services, and reforms in benefits and tax systems to avoid financial disincentives to entering the workforce.

⁸ See SWD "Evidence on Demographic and Social Trends"

Why is it important to target social investment towards children?

For children, disadvantage and exclusion experienced at an early age continue to have an impact on their ability to succeed at later stages of their lives. This is reflected in high drop-out rates in education and reduced employment opportunities, often creating a cycle of disadvantage that is repeated across generations. Studies show that tackling childhood disadvantage early, before it compounds, is the best way to ensure that people live up to their full potential. This means, for instance, providing accessible quality education and health and social services, housing, extra-curricular activities, and measures to improve the family's economic situation, such as employment support⁹, that helps to avoid inactivity traps for single parents and second earners, as well as through efficient, adequate child and family benefits. Good quality early childhood education and care, in particular, have been proven to have a strong positive impact on children's development and educational achievements later on, improving their chances of finishing their studies and finding employment.

How will the Recommendation on "Investing in children: breaking the cycle of disadvantage" be implemented?

The European Semester within the Europe 2020 strategy will monitor the evolution of key policies and the implementation of relevant CSRs, while the Social Open Method of Coordination will help Member States co-ordinate their policy approaches, share experiences and disseminate best practices.

The Commission will test the effectiveness of conditional cash transfers and their impact on children through research financed by the PROGRESS programme. A European Platform for Investing in Children will collect and disseminate innovative practices in areas such as early childhood education and care or parenting support. New steps will also be discussed with Member States to improve or complement EU indicators as regards child deprivation, quality and affordable childcare, children's health as well as the situation of the most vulnerable children.

What does the Social Investment Package propose to help tackle homelessness?

Prevention and early intervention are key strategies in tackling homelessness. The Package explores good practices by Member States in implementing policies to prevent homelessness, and highlights the advantages of implementing integrated, evidence-based, long-term homelessness strategies at national and local level, aiming at the permanent re-housing of homeless people. Adequate measurement and monitoring tools and reinforcing partnerships to combat homelessness are important elements of such strategies. Targeted and integrated policies can alleviate the exclusion of homeless people leading to long-term social and economic benefits for individuals, and at the same time decreasing public expenditure on shelters, crisis intervention and basic goods and services.

While the primary responsibility for tackling homelessness lies with EU Member States, the Package promotes mobilising EU sectorial policies with relevance for homelessness and monitoring homelessness in the European Semester process. The Package also encourages a better and integrated use of EU Funds – such as the European Social Fund (ESF), European Regional Development Fund (ERDF), European Agricultural Fund for Rural Development (EARD) and the Fund for European Aid to the Most Deprived (FEAD) – to confront homelessness.

⁹ See Recommendation on Investing in Children

Why is health care a social investment?

Ensuring the quality and accessibility of health has a value in itself^[1], and is in line with European values such as everyone's right to live in dignity. Cost-efficient investments in health at all ages allow people to participate in society. Securing access to healthcare is an important aspect of preventing and tackling social exclusion^[2]. Good healthcare for young children enables them to succeed at various stages of their development and ultimately allows them to play a full role in society and the economy^[3]. Timely access to quality health care along with well-designed sickness prevention and health promotion is crucial for maintaining and improving the productivity and employability of the adult work force. For older people, health promoting investments allow for longer working lives, increased independent living, reduced need for long term care and ultimately less pressure on public budgets.

What does the Package say about long-term care?

The Package calls for Member States to take measures to prevent the need for long-term care, raise the self-sufficiency of people with lighter care needs and increase the productivity of long term care delivery while providing financially sustainable, high-quality long-term care to those who need it. As the need for long-term care arises as a result of disability, prevention (including through more age-friendly living arrangements), health promotion and rehabilitation can help reduce the incidence and prevalence of disability in old age and enhance people's capacity to live independently for longer. Increased productivity for long term care delivery offers possibilities for providing more and better care with less manpower, thus reducing pressure on public budgets.

What role can social enterprises/the social economy play?

The social economy is an important player in delivering support to people on the ground. Social enterprises can complement public sector efforts, and can be pioneers in developing new markets and supplying affordable products or services of higher quality for societal purposes. The social economy also plays an important role in supporting the labour market integration of those who are in a precarious situation. The European social economy sector represents today at least two million enterprises and employs over 11 million paid employees, which is equivalent to 6% of the EU's entire workforce. The SIP emphasises that it is important for Member States to provide social enterprises incentives for start-ups and put in place an enabling regulatory environment¹⁰.

How does the Commission support Member States to provide high quality and more effective social services?

The Package contains the 3rd Biennial Report on Social Services of General Interest, which presents the new rules on State aid adopted by the Commission in December 2011 and the Commission proposals for new Directives on public procurement. These rules provide more legal certainty on the way social services can be organised and financed and on the way external service providers may be chosen.

^[1] See, for instance, Council Conclusions on Common Values and Principles in European Union Health Systems (2006/C 146/01)

^[2] See SWD "Evidence on Demographic and Social Trends"

^[3] See SWD "Investing in Health"

¹⁰EU State aid rules need to be respected (and the possibilities offered e.g. by the General block exemption Regulation 800/2008 or *de minimis* aid Regulation 1998/2006 could be used),

What is the role of stakeholders in implementing the Social Investment Package?

The Package underlines the crucial role played by stakeholders. These are the social partners especially where it concerns labour market related measures. Stakeholders can help create workplaces that are more welcoming, influencing measures such as flexible working arrangements, childcare and support for older workers. But in the fight against poverty and social exclusion, the involvement of civil society organisations close to the target groups in the reform and implementation of social policies is essential. This is why the Package urges Member States to improve the involvement of these stakeholders in the modernisation of social policy as part of the Europe 2020 Strategy. At the EU level, the Commission will continue the dialogue with all relevant stakeholders, notably in the context of the Annual Convention of the Platform against Poverty and Exclusion.

What is the Social Protection Performance Monitor?

The [Social Protection Performance Monitor \(SPPM\)](#) is a methodology prepared by the Social Protection Committee to monitor the social situations of Member States in the EU based on commonly agreed indicators. The SPPM can reveal divergences and imbalances in the European Union and identify clusters of Member States concerned by a particular 'social trend to watch'. It reinforces the monitoring of social policies and allows policymakers to receive a snapshot of the social situation in the EU.

How does the Social Investment Package relate to other initiatives of the EU?

The Social Investment Package builds upon the Europe 2020 flagship initiative the European Platform against poverty and social exclusion and the 2008 Recommendation on the active inclusion of people excluded from the labour market

The Package furthermore complements the following initiatives: the [Employment Package](#) that sets out the way forward for a job rich recovery, the [White Paper on Pensions](#) presenting a strategy for adequate, sustainable and safe pensions; the [Youth Employment Package](#) dealing specifically with the difficulties young people face in achieving employment; and the Rethinking Education package that promotes investments in education and training to provide better socio-economic outcomes.

Furthermore, several initiatives are currently being taken at EU-level that will support the Social Investment Package including: the forthcoming Directive on access to basic bank accounts, the specific attention paid to vulnerable consumers in the new proposal for a Directive on energy efficiency, the new "Erasmus for All" programme to support inclusive education initiatives, the proposed Directive on the accessibility of public sector bodies' websites to improve citizens' awareness of their social rights, and the Regulation for a European Social Entrepreneurship Fund to stimulate funding for social investment.