Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: towards Social Investment for Growth and Cohesion — Including implementing the European Social Fund 2014-20'

COM(2013) 83 final

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On 18 March 2013, the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the EU, on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020

COM(2013) 83 final.

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 23 April 2013.

At its 490th plenary session, held on 22 and 23 May 2013 (meeting of 22 May 2013), the European Economic and Social Committee adopted the following opinion by 160 votes to 3 with 11 abstentions.

1. **Conclusions and recommendations**

1.1 The EESC welcomes the Commission's Social Investment Package and the shift in approach it represents, to one in which a stronger focus on social investment is no longer seen as a mere cost, but as investment in the future and in growth and employment that will materially contribute to achieving the Europe 2020 objectives and underpin the European social model.

1.2 However, targeted social investment does not just bring about social progress whilst increasing competitiveness. Particularly in times of unprecedented, dramatic unemployment and increasing poverty, investment in the welfare state also plays a critical role in strengthening social cohesion and integration and in tackling social exclusion and poverty.

1.3 The labour market is the key to managing demographic change and to sustainable fiscal consolidation. In the EESC's view, robust, targeted social investment sustainably increases employment opportunities for people. The Social Investment Package could therefore make a significant contribution to a change of policy direction in favour of more growth and jobs, if it were consistently implemented in practice.

1.4 The EESC agrees with the European Commission that the details of social policy are primarily a matter for the Member States and that each country needs to find its own balance of sustainability and fitness for purpose of its welfare systems and the organisation of social services. Given the significant differences between countries, the European Commission should play a key role in the exchange of tried and tested and innovative approaches among Member States and all relevant stakeholders.

1.5 The EESC welcomes the fact that the important role of the social economy, social enterprises, civil society and the social partners for implementing the social investment package is expressly recognised in the communication. In this context, the EESC expressly supports the call for the fundamental involvement of the social partners and civil society actors at Member State level and within the coordination process of the European Semester.

1.6 The EESC calls on the European Commission to publish a plan for the practical implementation of the social investment package, to support the Member States in implementing the necessary measures and to promote exchanges between countries, the social partners, social economy organisations, non-governmental organisations, organised civil society and social service providers. These stakeholders have the necessary specialised knowledge in the area of social investment, social innovation and job creation.

1.7 However, the EESC is critical of the question of financing for the Social Investment Package remaining largely unanswered. Without a change in the lop-sided policy of spending cuts, successful implementation of the proposals does not seem a realistic prospect. Better use of the European structural and investment funds (ESIF) and the best possible targeting of the measures are certainly to be welcomed, but will certainly not be enough to achieve the desired policy shift.

1.8 The EESC therefore reaffirms its view that it is imperative that new sources of revenue for public budgets be identified. In this context, measures such as changes to and broadening of tax bases, closing tax havens, ending the ruinous race to cut taxes and combating tax evasions should be mentioned along with levies on various forms of wealth.

1.9 Specifically, the EESC reiterates in this context its call for a European growth and investment programme worth 2 % of GDP. This could fund a social investment package that would make the shift in policy priorities towards social investment and strengthening and modernising social policy in the Member States possible in practice despite efforts towards fiscal consolidation. Only if it is adequately funded can the social investment package be successfully implemented; otherwise it will remain empty words.

1.10 The EESC calls on the European Commission to ensure that greater focus on social investment is also reflected in the coordination process of the European Semester. This new focus must be explicitly taken into account in the country-specific recommendations and in the forthcoming Annual Growth Survey (2014). The European Commission should quickly publish concrete proposals to that effect. It must be made clear that greater social investment is compatible with 'differentiated, growth-friendly' fiscal consolidation.

2. The Social Investment Package for Growth and Cohesion

2.1 One of the goals of the Europe 2020 strategy is to get at least 20 million citizens out of poverty by 2020. The far-reaching consequences of the crisis and the need to return to growth have led to a series of Commission initiatives aimed at safeguarding and creating jobs, smooth employment transitions and, in general terms, getting people into jobs ([1]).

2.2 On 20 February 2013 the Commission produced its long-awaited Social Investment Package, which consists of a Communication ('Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020'), a Recommendation ('Investing in children: breaking the cycle of disadvantage'), and seven Staff Working Documents.

2.3 The package puts improved social investment in the context of the European Semester and streamlines EU and Member State governance and reporting requirements in an effort to meet the social, employment and education policy objectives of the Europe 2020 strategy.

2.4 The Commission notes that the crisis that has persisted since 2008 has increased poverty, social exclusion, and exclusion from the labour market for many citizens in a number of Member States, and that such problems have reached record dimensions, especially among the most vulnerable groups. In its Communication the Commission therefore advises Member States to place more emphasis on social investment and to use resources more efficiently.

2.5 According to the Commission, social investment helps people. It strengthens their skills and capacities and helps them participate in society and the labour market, in turn leading to greater welfare, stimulating the economy and helping the EU to emerge from the crisis stronger, more cohesive and more competitive.

2.6 Welfare systems are said to fulfil three functions: social investment in a better future, social protection during difficult periods in life, and, not least, stabilisation of the economy.

2.7 The Commission calls for action to ensure that welfare systems meet the needs of people at critical stages of their life. To this end, it recommends preventive measures in the form of investment at as early a stage as possible rather than reacting to problems after the fact, which proves to be much more costly. Investment in children and young people is therefore vital.

2.8 This is made more specific in the form of guiding principles in the Commission Recommendation to Member States. The Commission argues that preventive investment against child poverty and social exclusion, which it believes will increase children's welfare, can be achieved through a whole range of different measures.

2.9 Under the heading 'Room for efficiency gains in social policies', the Communication calls for more effective deployment of funding to ensure adequate and sustainable social security and for better, evidence-based social policy. To this end, Member States are encouraged to simplify administration of benefits and services, target benefits more effectively and to make them conditional, for example on participation in further training.

([1]) Employment Package, Youth Employment Package, Youth Opportunities Initiative, Rethinking Education.

2.10 The Member States are repeatedly called on to do more to involve all relevant stakeholders, especially the social partners and civil society groups, when improving social policy in connection with the Europe 2020 strategy.

3. **General comments on the Social Investment Package**

3.1 The economic and financial crisis with its far-reaching effects on growth, jobs, and economic and social cohesion has been dominating the political agenda of the European Union for five years now. Whilst the Member States initially responded with counter-cyclical economic policies to stabilise the economy, bank rescue packages in particular have led to a significant rise in public debt. The attempt by governments to achieve consolidation of public budgets during a recession simply by cutting expenditure is widely seen as having failed. The Commission communication on social investment thus brings a new perspective on dealing with the crisis to bear, namely that social investment means outlay in the short term, but in the medium to long term leads to gains in prosperity for society and higher revenues for the state, which in turn lead to significant reductions in future social costs.

3.2 The EESC therefore explicitly welcomes the Commission's social investment package and the associated paradigm shift for the European institutions' outlook. Member States are now expressly called on to put more emphasis on social investment and to modernise and strengthen social policy and use available resources more efficiently. Social policy must become more sustainable. In doing so, the Commission appears to correct mistakes made in recent years and to cease to view social investment as a mere cost. Such investment will strengthen people's skills and qualifications, improve their opportunities in society and the labour market and consequently their welfare, stimulate the economy, and help the EU to emerge from the crisis stronger and more competitive. This package could be one of the most important social policy initiatives of recent years, provided it is actually implemented in a consistent and ambitious way. This will require long-term support from the European Commission.

3.3 However, the details of social policy are largely in the hands of the Member States. The diversity of national conditions and circumstances requires that every Member State must find its own balance between sustainability and appropriateness of its social system, as there is no one-size-fits-all model. The Commission should collate a list of examples of best practice, which should include use of public procurement and freedom of choice in social services to promote private service providers operating in the general interest, and encourage the Member States to make their social systems innovative and efficient, with the emphasis on employment and labour market integration, so as to achieve the poverty reduction goal of the Europe 2020 strategy.

3.4 At a time of unprecedented unemployment and increasing poverty in the EU, the welfare state has become indispensable to overcoming the challenges that have emerged. Targeted investment in social protection and welfare can address structural problems and create jobs. Existing potential can be better used by pursuing the most comprehensive and active inclusion and participation strategy possible for as large a share of the population as possible, and by all Member States implementing the recommendations from 2008 on active integration of people excluded from the labour market.

3.5 Whereas so far social spending has mainly been seen as a cost that some believe should be cut, this Communication could represent something of a policy shift both at EU level and in some Member States. The EESC has long argued that there is an enormous need for investment, including social investment, and that this could create jobs, prevent poverty and combat social exclusion. This will require both private and public investment as well as reforms (2).

3.6 The life cycle and need-based approach to social investment taken in the Communication, which can improve individual opportunity and social cohesion, and strengthen economic development, is also welcomed by the EESC as a new perspective and a new way of thinking about intervention. More generous social investment has positive effects in both the medium and long term. However, the short-term positive effects should certainly not be underestimated. Investment in better, evidence-based social policy has demonstrated rapid, positive results in a variety of situations (3).

3.7 Social investment does not just affect employment, however, it also plays a critical role in strengthening social cohesion and integration and in tackling social exclusion and poverty. The profound economic crisis in Europe has dramatically worsened the social position of many people. To counter this trend, a policy shift towards more social investment is absolutely vital.

(2) OJ C 11, 15.1.2013, pp. 65-70.

(3) 'Housing first', also known as 'rapid re-housing', is an approach to homelessness first adopted in the USAas an alternative to the traditional system of emergency accommodation and short-term housing. In recent years it has also been adopted in Austria, Denmark, Finland, France, Germany, Portugal and the United Kingdom.

3.8 With this in mind, the Commission should clarify and define in precise terms just what it means by its call for 'conditionality' of social security benefits. While it can make sense in areas such as active labour market policy to link benefits to a certain target (such as participation in training), on no account should this principle be applied across the board in social policy (to child care, for example). Social security benefits should be seen as rights subject to predictable criteria in a way that ensures legal certainty.

3.9 The key areas in which the new approach to social investment is to be applied are reflected in the Recommendation and the Staff Working Documents issued alongside the Communication. The Commission should now start dialogue with all relevant stakeholders about how the logic of social investment is to apply in practice to these thematic priorities, and produce a plan for the implementation of its Communication, including guidelines for action to support Member States.

3.10 The EESC welcomes the Commission's explicit recognition of the crucial role to be played by the social economy, social enterprises and civil society in implementing the Social Investment Package [4]. As well as providing experience and additional resources, they are often directly and actively involved in meeting policy targets, for example by providing social services. To support them in these tasks, public funds and private capital have to be made available in a better and simpler way. The inclusion of thematic objectives for social investment and of investments as actions under EU cohesion policy in 2014-2020 are welcome proposals. They should be taken into account in negotiations on the programmes between national authorities and the Commission, which should involve civil society representatives.

3.11 The Commission believes that innovation is an important factor in the social investment policy area because social policy needs to be constantly adapted to new challenges. Private companies supported by public contracts thus play an important role as an alternative and complement to the public sector.

3.12 The Member States are to make more use of innovative approaches to financing in the form of private sector participation or social investment bonds, for example, which the Commission asserts will lead to savings in public expenditure [5]. However, social investment bonds are a controversial matter of debate, and a series of further studies into their knock-on effects are needed. In addition, the potentially affected fields that are suited to 'innovative financing' should be described in more detail. At any rate, the EESC stresses that such instruments must on no account lead to a commercialisation of social policy. The state must not shirk its responsibility for social policy.

4. **Specific comments**

4.1 Unfortunately, it has to be assumed that the coming years will see a continuation of the economic and social downward spiral and slower growth, not least because of fiscal consolidation measures by EU Member States. Sustainable economic growth will therefore depend on stronger (internal) demand, for example through increased female participation in the labour market. Growth in social services and the social economy, which have demonstrated their resilience in the crisis, will also play a key role here.

4.2 The Social Investment Package can play a key role here. Expanding social services does more to boost employment than any other form of public spending. In addition, investment in social services is needed in order to cover growing demand and increasing social need. As well as tackling (youth) unemployment and better integrating older people into the labour market, achieving the Europe 2020 employment goals will depend on getting more women into work.

4.3 It is important to recognise that the support given by the Social Investment Package in areas of national policy, such as social integration, health care and social services, should also include easily accessible, affordable and high-quality services for disadvantaged groups in society, such as the disabled and the rising number of people who live in extreme poverty. These social services increase their chances of living dignified lives and of finding and keeping a job.

4.4 The example of child care shows that with targeted investment, social progress can be combined with increased competitiveness. Greater investment in child care and in social services more broadly (care for the elderly, education, nursing, services for disabled people, sheltered housing, etc.) makes places more attractive, but it also makes a vital contribution to boosting employment rates among women and those who are remotest from the labour market, such as people with disabilities, and helps relieve pressure on public budgets over the medium and long term. As the Commission has already recognised, it is important to ensure that such investment is targeted at the specific needs of a person rather than a group, so that individual support can be provided and the best possible

(4) COM(2013) 83 final, p. 5.
(5) COM(2013) 83 final, p. 6, 7.

results achieved [6]. In addition, the EESC takes the view that action to prevent all possible forms of social problems is necessary, regardless of the age of those affected. Prevention should thus be an overarching approach to social policy, applying not only to children but to all groups within society.

4.5 The labour market is the key to managing demographic change and to sustainable fiscal consolidation. The Commission's call to improve labour market participation, including through active labour market policy and stronger social integration, is therefore welcome. If the employment potential that exists is used more effectively, the balance between contributors and beneficiaries can largely be maintained despite the massive increase in the number of older people [7]. However, the EESC reiterates its view that social investment must also address those social groups for whom drawing welfare benefits does not lead to their integration into the labour market.

4.6 At the same time, social investment and improved social policy can not only make an important contribution to boosting employment. If Member States implement social inclusion policy consistently and poverty is tackled across the board, this will yield considerable advantages for society as a whole and promote social peace and cohesion.

4.7 The policy shift outlined in the Communication also makes an important contribution to sustainable consolidation of public budgets. Promoting inclusive growth and a substantial increase in employment rates by 2020 could provide additional room for manoeuvre in EU-27 government budgets to the tune of EUR 1 000 billion [8].

4.8 However, important questions remain unanswered about the shift in priorities outlined in the Communication and its integration into the European Semester. The EESC welcomes improved monitoring, but is aware that the focus of the 2013 Annual Growth Survey still contains last year's priorities. In the EESC's view, the country-specific recommendations for the second half of the year should focus more on social investment. In the next Annual Growth Survey (2014), social investment should then be dealt with explicitly and social problems be included in the forthcoming European Semester. It should also be made explicitly clear during the Semester that more generous social investment is compatible with 'differentiated, growth-friendly' fiscal consolidation.

(6) COM(2013) 83 final, p. 8.
(7) COM(2012) 55 final, Commission White Paper on An Agenda for Adequate, Safe and Sustainable Pensions, p. 6.
(8) See EPC Issue Paper No. 72, November 2012: '1 000 billion euros at stake: How boosting employment can address demographic change and public deficits'.

4.9 The remarks in the Communication on financing the social investment offensive and on changing the tax structure are disappointing, however, and are overshadowed by the Employment Package, where the Commission recommended both reducing the burden on labour and taxing wealth more heavily. Only if financing is guaranteed can the policy shift ushered in by the Social Investment Package actually be carried out in practice.

4.10 The question of financing for the Social Investment Package remains largely unanswered. The European structural and investment funds (ESIF), particularly the ESF, can be important funding instruments if used more effectively, but they will certainly not be enough to achieve the desired policy shift. Instead, the EESC reiterates that, as well as increasing the efficiency of public spending and targeting it more accurately, it is imperative that new sources of revenue for public budgets be identified. The potential contribution of different kinds of income and assets should be considered here [9]. At the same time, available resources should be better used.

4.11 The EESC points out that the aim of social investment will also be achieved by changing and improving policies where they have proven inefficient. In such cases, it is not primarily additional investment that is needed. The EESC calls on the Commission to provide information about new social policies that are better for the recipient whilst remaining comparable or cheaper in terms of cost.

4.12 The EESC has long advocated broadening the focus to include not just spending but also public revenue, such as by changing and expanding the tax base, by levying a financial transaction tax, by closing tax havens, by ending tax competition and by taking measures to tackle tax evasion [10]. Precisely in view of the Social Investment Package and the challenges it entails, the EESC underlines these recommendations and expressly reiterates the need for a European stimulus and investment programme to the tune of 2 % of GDP [11]. While this package sets the right priorities, what is missing are proposals for a social investment package that moves beyond declarations of intent to practical implementation of new policy priorities.

(9) See OJ C 143, 22.5.2012, pages 94-101, point 4.3 and OJ C 306, 16.12.2009, pages 70-75, point 3.4.2.
(10) See OJ C 143, 22.5.2012, p. 23-28, point 6.1.3.1.
(11) See OJ C 133, 9.5.2013, p. 77-80, point 3.2.4.

4.13 As well as calling for closer involvement of the social partners and organised civil society by the Member States, which the EESC welcomes, the Commission should quickly produce specific proposals for closer, ongoing involvement in coordinating the European Semester. This concerns, not least, the stronger focus on social investment and active inclusion. Such involvement should be fundamental and enable real influence on policy making.

Brussels, 22 May 2013.

The President
of the European Economic and Social Committee
Henri MALOSSE