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EUROPEAN PARLIAMENT, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Proposal for the Joint Report on Social Protection and Social Inclusion 2009**

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**KEY MESSAGES** from Member States' new National Strategic Reports (NSR) outlining strategies to promote the EU's common social objectives:

- The EU can build on the values of solidarity that underpin its social policies and on progress in structural reforms to cushion the impact of the economic crisis and help recovery. Further strengthening the positive mutual interaction with action for growth and jobs is vital, notably by allowing social protection systems to fully play their role as automatic stabilisers. In order to address the negative impact on employment and social cohesion, long-term reforms need to be sustained while balanced with short-term measures aimed at preventing job losses and sustaining household incomes. Recent structural reforms in the field of social security have delivered results, bringing more people into employment, strengthening the incentives to work and the resilience of labour markets, prolonging working lives and enhancing economic growth. Valuable indications of this are provided by the European Economic Recovery Plan.
- The European Social Fund should be used to its full potential in a flexible and timely way to alleviate the social impacts of the crisis, by supporting rapid labour market re-entry of the unemployed and focussing on the most vulnerable. Simplified implementation of Structural Funds and improved coordination with social policies will help. The Commission will issue a regular bulletin to monitor social trends. Reports from Member States could facilitate exchange of information and policy experiences in the Social Protection Committee.
- Comprehensive Active Inclusion strategies that combine and balance measures aimed at inclusive labour markets, access to quality services and adequate minimum income, need to be implemented. A boost must be given to Member States' efforts to implement comprehensive strategies against poverty and social exclusion of children, including accessible and affordable quality childcare. Sustained work is required to tackle homelessness as an extremely serious form of exclusion, to address the multiple disadvantages the Roma people are facing and their vulnerability to social exclusion and to promote the social inclusion of migrants. Vigilance is needed as new risk groups, e.g. the young, as well as new risks may emerge.
- Long term adequacy and sustainability of pension systems depend on continued efforts to reach the Lisbon target of a 50% employment rate of older workers even in the downturn. It is important to ensure full coverage and to monitor pension adequacy notably for women and low wage earners. Long-term oriented strategies and the regulatory framework have limited the impact of the crisis on private pension income for most of those retiring today, but some might face outcomes below their expectations. Funded scheme designs will need to be reviewed to boost their ability to cope with risk in the investment and pay-out phases and to improve coverage so they can fully realise their strength in coping with ageing.
- Member States strive to improve the value for money of healthcare and reduce health inequalities by increased attention to primary care, prevention, health promotion, better coordination and rational use of resources. These strategies need to be more vigorously pursued, in particular where healthcare systems are under-resourced. This also implies addressing potential staff shortages in health care by measures to recruit, train, retain and develop health care professionals at all levels.
- Member States are also striving to establish and strengthen systems for quality long-term care, to create a solid financing basis, to improve care coordination and to ensure sufficient human resources as well as support for informal carers.

- The current Social Open Method of Coordination (OMC) Cycle lasts until 2010, the target year for the Lisbon strategy. Strong commitment will be needed to achieve the agreed objectives on social protection and social inclusion and the 2010 European Year for combating poverty and social exclusion will reaffirm it. While the decision on setting national quantified targets and their definition remains a core responsibility of the Member States, the positive role of the Social OMC could be further strengthened by evidence-based national target-setting. Increased attention should be given to the quality and continuity of stakeholder involvement and to the mainstreaming of social considerations inter alia via the evaluation of social impacts as a vital part of integrated impact assessments.

## 1. INTRODUCTION

Between 2001 and 2007 average economic growth in EU-27 was 2.1% per year. The employment rate in 2007 had risen to 65.4%, mainly thanks to higher employment of women and older workers. New jobs helped reduce the share of jobless households from 10.2% in 2005 to 9.3% in 2007, but only marginally benefited jobless families with children. The latest data show that 16% of Europeans are still living at risk of poverty. While there is no better safeguard for avoiding poverty than a quality job, in-work poverty at 8% illustrates that not all jobs provide this assurance. At the same time, data shows that in several Member States high growth improved the absolute living standards of the poor while their relative situation improved or remained the same.

The economic outlook has changed fundamentally. While the labour market has shown resilience in most Member States, unemployment has risen substantially in some of them, and forecasts point to further job losses ahead.

Against this backdrop the contribution of social policy is crucial. Appropriate social policies will not only mitigate adverse social impact on the most vulnerable but also cushion the impact of the crisis on the economy as a whole. Social protection is a major countercyclical and automatic stabilising element in public expenditure. Well-functioning systems in a framework of continued sustainability-reinforcing reforms can help stabilise aggregate demand, underpin consumer confidence and contribute to job creation.

The most badly hit victims of the crisis will be those households where breadwinners are at a disadvantage in the labour market and in society. Hence the need for social safety nets which are tight enough to prevent people from falling through and effective enough to launch them back into active social and labour market participation.

Appropriate **flexicurity** measures will use active labour market policies to ease transitions, avoid people becoming long-term unemployed, resist using early retirement to regulate labour supply, enhance skills and secure transition periods. Comprehensive **active inclusion** measures are needed to address the situation of those furthest from the labour market.

This also implies adjusting benefits, when needed, to **safeguard appropriate support for recipients**. Member States are already acting to maintain the purchasing power of minimum benefits and basic pensions. The severe nature of the recession entails a need for **closer monitoring of social impacts**.

The bulk of pension income of people retiring today derives from statutory pensions financed by current contributions. Income from funded private pension is substantial in a few countries. As pension funds invest part of the savings they hold in shares they have been affected by the dramatic decline in financial markets. Long-term strategies, the regulatory framework and action by the authorities have limited the impact for most of those retiring today. Scheme

designs will, nonetheless, have to be reviewed to ensure future adequacy and sustainability of funded schemes.

Effective **health and preventive care services** are of particular importance when the economy and the income declines and unemployment rises, but there is a significant risk that investment in health and long-term care will suffer. Postponement of plans to modernise and develop local healthcare and long-term care infrastructure can be expected. Such delays would be most unhelpful in those countries that have under-resourced health sectors which are very unevenly distributed across the national territory.

Several Member States have endeavoured to make the preparation of the renewed strategies a participatory exercise involving stakeholders and, to some extent, citizens at large. Local and regional authorities are increasingly involved but this needs to be taken further. Gender considerations feature more than in the past but could be mainstreamed more consistently. There are some examples of good practice in consultation activities, for example efforts to ensure an interactive two-way dialogue and provide feedback on results. Some countries make a general commitment to uphold stakeholder involvement at all policy stages and throughout the reporting cycle. The participatory bodies established at various levels could help monitor structural social reforms and thus promote opportunities, access and solidarity in the present crisis. Increasingly, policy priorities are underpinned with quantified targets. When based on sound analysis, properly resourced and backed by clear political commitment, this can boost delivery in specific policy areas.

## 2. FIGHTING POVERTY AND SOCIAL EXCLUSION

Children face a higher poverty risk, at 19% in EU-27, than the population as a whole. This has not improved since 2000. The 2007 OMC focus on **child poverty** helped deepen the common understanding of the determinants of child poverty in each country. It clarified the need for comprehensive strategies combining adequate, well-designed income support, quality job opportunities for parents and the provision of necessary services.

Most Member States who made the issue a priority in 2006 in response to the European Council's call for decisive action are now planning to reinforce their strategies and follow a more multi-dimensional and integrated approach. Many have mainstreamed child poverty in areas such as minimum income and wages, reconciliation of work and family life and family-friendly services. Sustained efforts are needed, notably to ensure accessible and affordable quality child care. Drawing on the improved evidence-base, 22 Member States have set targets in relation to child poverty, 16 of them using EU-agreed indicators. A few have also set intermediate targets for their specific challenges (jobless households, families most at risk, intensity of poverty, childcare).

**Roma people** face multiple disadvantages and belong to the most excluded in European societies. In the new reports Member States with a sizable Roma minority have upgraded their coverage of the issue and, in general, there is a better recognition of the challenges it entails. Action taken or announced mainly focus on desegregation, access to employment, addressing educational disadvantage and improved access to basic services such as housing and healthcare. However, in most countries a comprehensive policy framework is still lacking, also due to the non-availability of data and an insufficient knowledge-base.

The NSRs confirm the priority given to the **inclusion of migrants** in 2006. Increasingly adopting a holistic approach, Member States are focusing more on involving both migrants and the host society in the process, and several are attempting to create synergies between inclusion policies and anti-discrimination measures.

The inclusion of **disabled people** continues to be addressed, but disability mainstreaming remains limited and NSRs scarcely refer to the implementation of the UN Convention on the Rights of persons with disabilities, although the ratification is under way. Employment activation, eliminating barriers to education and lifelong learning, and stricter conditionality generally dominate rather than the elimination of structural obstacles to full participation.

As in the 2006 NSRs, most Member States have **active inclusion** among their priorities. However, inclusive labour markets, access to quality services and adequate income are dealt with separately in most cases, whereas most disadvantaged people suffer from multiple disadvantages and integrated responses are essential. Several countries have taken steps to ensure that the purchasing power of minimum incomes is maintained. It remains essential to design better links between out-of-work benefits and in-work support, in order to create the right incentives, while at the same time ensuring adequate income support and prevent in-work poverty. Coordinated social and employment services are needed to tackle obstacles to full and lasting participation in society and the labour market. So more attention must be paid to optimising the interaction between the three strands and ensuring that due account is given to each.

The best safeguard against poverty and social exclusion is a quality job for those who can work. For those for whom work is not a real option, adequate income support and social participation must be ensured. Particularly relevant measures taken by many Member States include those that support job retention or speedy re-entry into employment, and promote adaptability, by offering opportunities to acquire or upgrade skills and developing personalised action plans outlining pathways to the labour market. Attention should be paid to supporting job opportunities for the most vulnerable, including in the social economy. Most NSRs reflect the importance of access to quality services for tackling the social hurdles that hinder people's sustainable inclusion.

**Homelessness** is one of the most severe forms of exclusion and enhanced efforts in some Member States must be extended to include a greater supply of affordable **housing**. Comprehensive, multidimensional strategies aim to address its different manifestations specifically, while another approach focuses on measures integrated in wider policy frameworks, e.g. relating to housing, employment, and health. Supported housing combining the objective of independent living with personalised social support is receiving much attention. Several countries have set targets to reduce homelessness or strengthen support structures. Lack of reliable data still impairs efforts to define and monitor effective policies. Promoting financial inclusion is crucial to prevent homelessness, particularly in the current circumstances; appropriate support and advice must be ensured to people facing eviction or repossession.

**Inequalities in health** between different socio-economic groups persist and Member States tend to complement their universal approach with measures targeting the most vulnerable. Several NSRs present cross-sectoral policies, spanning both prevention and health promotion and mobilising a wide range of services including in the areas of education, housing and employment. The main policy orientations are: enhancing primary and preventive care, removing barriers to access and addressing the situation in deprived areas.

Most NSRs emphasise the importance of **education**, but only some integrate it in a comprehensive long-term strategy to prevent and tackle social exclusion. Pre-primary education is seen as fundamental both as a key element in levelling socio-economic disadvantage, and as a means to facilitate work/family life reconciliation. Efforts also focus on ensuring high quality standards in all schools, combating early school leaving, improving access to education for specific groups and introducing measures to validate prior learning.

Addressing **financial exclusion** is vital in any strategy against poverty; the crisis brings the issue even more to the fore. Some Member States report comprehensive policies, whereas one is tackling over-indebtedness as a priority. Most frequently quoted is debt advice, sometimes target group-based or focusing on early detection. Microcredit is provided in some countries to people who cannot access the mainstream credit market. Financial inclusion is a pre-condition for sustainable access to the housing market.

### 3. ADEQUATE AND SUSTAINABLE PENSIONS

During the last decade Member States have reformed their pension systems to better provide adequate and sustainable pensions. In the 2008 NSRs, countries report on incremental progress in providing adequate pensions without jeopardising financial sustainability and work incentives. The new economic outlook will make the fine-balancing required even more challenging.

In response to increased longevity reforms of pension systems have aimed at raising the employment rate of older workers and decreasing the economic dependency ratios, so as not to endanger the financial sustainability of public finances. Mostly this resulted in a decrease in the pension promises and in rules allowing workers to compensate for this by extending their working lives. Indeed keeping the balance between contributory lives and years spent in retirement will depend on more people working more and longer. This will entail lowering the entry age, avoiding long career breaks and postponing the effective exit age. At the same time more attention is being paid to ensuring that all employment periods are covered.

The employment rate of older workers has increased over the last decade, and 11 countries now meet the Lisbon target of 50% employment for older workers by 2010. Given the increase in life expectancy, higher employment rates will be necessary in the medium term. Normal working age has to increase, and the reports show that Member States are starting to **increase the pensionable age** in statutory schemes. **Early exit routes** are being closed and incentives to early retirement removed. These are important signals for employers and employees to improve their practises of age management and postpone retirement. The current economic downturn will test the durability of these achievements. Further efforts should be made to sustain the employment of older workers, including making full use of active labour market policies. It will be crucial to avoid that the effective retirement age begins to drop because early pathways out of the labour market are used again to deal with rising unemployment.

The present economic outlook highlights the need to ensure that workers affected by periods of unemployment are covered in appropriate ways by the pension systems. In reformed systems **career breaks can reduce adequacy significantly** and monitoring of pension outcomes is important for those who have difficulty fulfilling the new eligibility conditions, notably low wage earners and those with broken careers, among whom women are over-represented.

OMC work in 2008 has concentrated on private pension provision. A number of Member States have taken measures to ensure funded pensions, dealing with coverage and contributions, levels of charges, developing regulatory frameworks for annuities (longevity risk) and investments (financial risk). In voluntary schemes there is ample evidence of a strong socio-economic gradient in coverage and contribution levels. If private schemes are an essential source of future retirement income then coverage and contribution levels need to be set accordingly.

Current designs of the **pay-out phase** of funded schemes may give insufficient protection against longevity risk, volatility and inflation. Annuities are the most secure means of

providing an income in retirement. Shifts in the portfolio structure when approaching retirement (life-styling) can provide a certain degree of protection against volatility of capital value. Well-functioning supervisory bodies and effective financial regulatory frameworks are essential. Shifts to multi-source pensions involving complex decisions require that scheme members have access to unbiased information and to some financial education.

Member States are changing their minimum income provisions for older people to increase benefits and ease access. In as much as benefits tend to be price-indexed relative incomes were likely to have fallen behind in recent years of growth. Yet, the relative erosion is mostly substantially smaller than could be expected. Most Member States have up rated minimum pensions and minimum provisions.

Member States use the following national targets in the area of pensions: employment rate of older workers (even beyond the EU objective), effective retirement age, contribution rates, theoretical replacement rates, and poverty rate of older persons. This suggests that pension modernisation follows long-term strategies in line with the agreed objectives.

#### 4. HEALTHCARE AND LONG-TERM CARE

Virtually all of the 2008-2010 reports build on the previous 2006 national health plans. Member States argue that essential policies contributing to good health and longer working lives include effective workplace health policies, health promotion, disease prevention, curative care and rehabilitation. Moreover, greater coherence is necessary between economic, education, employment, environmental and social policy.

**Inequalities persist in health status** and in life expectancy between different socio-economic groups and different regions. Evidence shows a clear correlation between ill health and poverty, unemployment and low education. Many NSRs explicitly recognise that social inequalities in health hamper people's life chances. Several present cross-sectoral policies, spanning both health-promotion and disease-prevention and mobilising a wide range of services such as education, housing and employment. The main policies aim to enhance primary and preventive care, to remove financial, organisational, informational and other barriers to access and to address the situation in deprived areas.

Indeed all countries see enhancing **primary care** as the way to improve access, ensure coordination of care and contribute to sustainability and all the more so where resources are scarce. However, in many countries the shortages of general practitioners and nurses continue, and ageing may make them more acute. It is difficult to see how the ambition of enhancing primary healthcare can be achieved without a proper primary healthcare policy that includes measures to ensure a sufficient supply of motivated healthcare professionals.

**Health promotion and disease prevention** are universally prioritised as a way to improve health and functional capacity, thus reducing the need for treatment and improving sustainability. Member States recognise that the campaigns could be more effective and propose making them more local and targeted. But nonetheless healthcare/treatment, in particular hospital costs, consumes the largest part of the expenditure and many countries are still directing extra funds to this sector. Promotion and prevention receive a relatively small part of expenditure in relation to the goals they are supposed to achieve.

Member States continue in their efforts to improve **efficiency and effectiveness**, by rationalising costs and introducing cost-sharing mechanisms. Several countries have been going down the avenue of privatisation. Whether such reforms promote quality and efficiency depends on the incentives and notably the nature of contracts with insurance funds. At national level, success depends on the institutional capacity to monitor, regulate, ensure risk

equalisation and identify what the private and what the public can do better. Private and public provision also needs to be coordinated to create synergies and avoid duplication.

The national reports show a growing awareness of **quality** issues among Member States and present different initiatives aiming at providing their citizens with good quality and safe preventive care and treatment, such as elaboration and implementation of quality standards or clinical guidelines based on evidence-based medicine or health technology assessment. However, only a few countries have made patient safety, one of the cornerstones of quality, a key priority, and set up appropriate structures and systems. Huge disparities are observed, with some Member States well advanced in the implementation of quality and safety strategies and in providing a patient-centred approach, and with others only at the beginning of the process. These disparities may be explained by the limited resources allocated to healthcare and the insufficient awareness about long-term advantages that good quality of care may bring. While a large number of countries see increased patient choice as a dimension of patient centeredness, it is not acknowledged that free choice is related to increased costs of care.

**Care coordination** remains an issue. Member States have made progress on an integrated approach for the management of some chronic diseases, but there is still much to do to improve coordination between levels of government, between types of medical care, between health and social care, between public and private provision, between the public and the third sector. This is all the more so for long-term care.

The NSRs reaffirm the commitment to ensure universal access to high quality and affordable long-term care. Nonetheless, a sustainable mix of financing is yet to be found in many countries, hence the share of private sources of finance is relatively high. These can be private health insurance coverage (often supplementary or for high income groups) or private household payments (either co-payments for publicly provided care, and/or out-of-pocket payments for which very little or no reimbursement is offered).

Dependent people prefer long-term care in a residential or community setting rather than institutional care, but in many countries institutional care still accounts for more than half of public expenditure. Additionally, there is a widespread consensus on the need to address the expected workforce shortages in the long-term care sector (formal care) as well as devising ways to support family or informal carers. Adequately recruiting, (re)training, and retaining long-term care workers remains a challenge.

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This analysis is developed further in the annexed country profiles and supporting document.