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# THE SOCIAL INVESTMENT PACKAGE TOWARDS SOCIAL INVESTMENT FOR GROWTH AND COHESION

**ANALYTICAL PAPER**

**April 2013**

## I. Background and introduction

The Social Investment Package (SIP), released by the European Commission on the 20th February 2013, is a series of policy documents which encourage Member States to maintain investments in social policy areas despite current negative fiscal situations. The Package gives guidance to Member States on how to use social budgets more efficiently and effectively so they can respond to current challenges which include record unemployment and rising levels of poverty and social exclusion, combined with an ageing society and a smaller working age population.

Increasing employment and reducing poverty and social inclusion remain the core concerns of EU citizens and are at the heart of Europe 2020 Strategy. Any prospects for sustainable and inclusive growth depend to a large extent on EU countries' capacity to create new jobs and to improve social protection and social inclusion through more appropriate social policies and an adequate level of social investment. Yet increasing divergences between Member States in their responses to the crisis and their exposure to strong fiscal constraints threaten the prospect of reaching those objectives. EU initiatives, such as the *European Platform Against Poverty and Social Exclusion*<sup>1</sup>, the *Agenda for New Skills and Jobs*<sup>2</sup> and the *European Semester*<sup>3</sup>, support efforts to create a more cohesive and competitive Europe by calling on Member States to achieve social and economic reforms at national level.

With the Social Investment Package, the European Commission urges Member States to reorient national policies towards social investment to ensure a sustainable and adequate social system. It also encourages a review of public spending. An additional Commission initiative, it supports Member States in their efforts to emerge from the crisis and achieve the social, employment and education targets of the Europe 2020 strategy<sup>4</sup>. It complements other recent initiatives, namely the *Employment Package*<sup>5</sup>, the *Youth Employment Package*<sup>6</sup> and the *White Paper on Pensions*<sup>7</sup>, and it provides guidance to Member States on how best to use the EU financial support, especially the European Social Fund (ESF).

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<sup>1</sup> For more information visit the page dedicated to the European Platform Against Poverty and Social Exclusion on the European Commission website: <http://ec.europa.eu/social/main.jsp?langld=en&catId=961>

<sup>2</sup> Flagship initiative of the Europe 2020 <http://ec.europa.eu/social/main.jsp?langld=en&catId=958>

<sup>3</sup> For more information about the European Semester visit the webpage <http://www.consilium.europa.eu/special-reports/european-semester>

<sup>4</sup> Communication from the EU Commission, Europe 2020 – a strategy for a smart, sustainable and inclusive growth, March 2010. For more information visit [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm)

<sup>5</sup> Employment package adopted by the European Commission in April 2012. For more information visit the webpage: [http://ec.europa.eu/commission\\_2010-2014/andor/headlines/news/2012/04/20120418\\_en.htm](http://ec.europa.eu/commission_2010-2014/andor/headlines/news/2012/04/20120418_en.htm)

<sup>6</sup> For more information on the Youth Employment Package consult the webpage: <http://ec.europa.eu/social/main.jsp?catId=1036>

<sup>7</sup> Document available at the following link: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0055:FIN:EN:PDF>

## **II. Contents overview of the Social Investment Package**

The main message of the Package focuses on the need for invest better in people's skills and capabilities, and to support active labour market and societal participation in order to increase the individual's prosperity and boost the EU's economy and competitiveness. The idea that targeted social spending increases a person's lifelong chances to integrate into the labour market and society, and contributes to limiting social spending later in life, is expressed in the Framework Communication: "Towards Social Investment for Growth and Cohesion – Including Implementing the European Social Fund 2014-2020". This is the main document of the Social Investment Package. In it the Commission outlines a framework for policy reforms and actions to be taken by Member States and the Commission to modernise social welfare.

Beside the Communication, the Package is composed of a Commission Recommendation on "Investing in children breaking the cycle of disadvantage" and a series of Staff Working Documents (SWD). A Staff Working Document is a type of technical report focused on specific issues. It indicates the Commission's commitment to do further work in the area outlined in document and it represents a preliminary form of a possible future document.

The Social Investment Package contains the following Staff Working Documents:

- A Staff Working Document containing evidence on demographic and social trends and the role of social policies in responding to the social, economic and macro-economic challenges facing the EU;
- A Staff Working Document following up on the 2008 Commission Recommendation on Active Inclusion for people excluded from the labour market;
- The 3<sup>rd</sup> Biennial Report on Social Services of General Interest to help authorities and stakeholders understand and implement the revised EU rules on social services of general interest;
- A Staff Working Document on Long Term Care, presenting challenges and policy opinions;
- A Staff Working Document on confronting homelessness, explaining the situation of homelessness in the European Union and possible strategies to consider,
- A Staff Working Document on Investing in Health, containing strategies to improve the efficiency and effectiveness of health systems in a context of tighter public healthcare budgets, and discussing how health can contribute to increasing human capital and social inclusion;

- A Staff Working Document outlining how the European Social Fund will contribute to the implementation of the Social Investment Package.

This paper intends to analyse the Communication's message and briefly assess the Staff Working Documents which are relevant for social services providers, focusing mainly on the 3<sup>rd</sup> Biennial Report on Social Services of General Interest. It also provides an overview of stakeholders' reaction to the Social Investment Package and their mainstreaming position on further actions to be taken. The aim of the paper is to highlight the positive direction being taken by the EU and its Member States towards social policy and to underline the existing opportunities where social services providers can help the European Commission to develop concrete guidelines which will ensure the implementation of the Social investment Package at national level.

### **III. The framework Communication: Towards Social Investment for Growth and Cohesion – Including implementing the European Social Fund 2014-2020**

- ***A new integrated approach to pursuing social investment***

The main message of the Communication reflects the important “paradigm shift” in which social policy is no longer considered a cost but an investment. Investing in social policy produces significant economic and social returns over time. It addresses emerging social risks and the needs of people coping with the consequences of demographic change and the financial and economic crisis. The strong pressure on Member States' budgets and the ongoing austerity measures reinforce the need to modernise social policies and optimise public spending. This will help avoid additional adverse effects of the crisis and further imbalance between Member States.

The Communication provides a series of initiatives and suggestions which enable Member States to modernise their social policy. It focuses on the need for Member States to design a new social policy agenda by taking into account the three dimensions of the welfare system: social investment, social protection and economic stabilisation. As stated in the Communication: “well-designed welfare systems combining a strong social investment dimension with the other two functions, protection and stabilisation, increase the effectiveness and efficiency of social policies, whilst ensuring continued support for a fairer

and more inclusive society”<sup>8</sup>. Primarily this implies using available resources more efficiently and effectively - better spending (not less spending) and meeting users’ needs more closely so as to improve their quality of life.

The Communication recognises the vital role that social provision plays in the different stages of an individual’s life, from education through work/unemployment to sickness and old-age. It promotes social investment to place measures which help people to confront life’s risks and to avoid hardships such as falling into poverty, “rather than simply repairing the consequences”<sup>9</sup> (prevention). This will strengthen people’s capacity to actively participate in society and the economy to the best of their abilities. Social budgets therefore should be restructured so as to ensure more accurate targeting and more effective support. Sustainable and adequate social policies should reach those who are in need, when they need.

It is clear that social investment which focuses on the outcomes for the individual and society in general cannot substitute social protection (support schemes and benefits). However, a combination of the two is possible by balancing activating policies and adequate income support. In this light, support schemes and benefits can be made conditional if they are directly linked to the users’ requirements, used as incentives and accompanied by other supporting measures. However, the emphasis on making benefits and support schemes conditional does rouse some concerns, since it may lead to discrimination in access support schemes of those who are already excluded by the labour market and so do not meet the conditions required.

To improve the targeting of social policies, the Commission points out that it is important to simplify social systems and reduce administration through a one-stop-shop approach. The idea is that the provision of comprehensive and integrated services will reach people most in need with a more adequate support. This is especially effective in a time of crisis when financial resources allocated to social policies are greatly limited. The Commission does not clarify these ideas but calls on Member States to implement measures which ensure adequate income support, inclusive labour market and quality of services. It urges to implement the Recommendation on Active inclusion (2008) and suggests development of reference budgets “to help design(ing) efficient and adequate income support that takes into account social needs identified at local, regional and national level”<sup>10</sup>.

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<sup>8</sup> The framework Communication: Towards Social Investment for Growth and Cohesion – Including implementing European Social Fund 2014-2020, p. 3

<sup>9</sup> *Ibidem*.

<sup>10</sup> *Ivi*, p. 11

- ***Using EU funds to finance social investment***

The guiding principle in the Communication is to use EU funds “to be a catalyst for growth and jobs across Europe, notably by leveraging productive and human capital investments”<sup>11</sup> (Conclusion of the European Council 7-8 February 2013). However, investment in European Social Fund has decreased since 1989 and needs to be restored with the 25% of cohesion policy funding allocated to human capital and social investment and the 20% to promote social inclusion and combat poverty (still subjects of intense Council negotiations). Inclusive growth is to be fostered by using funds for “employment, human capital development, modernisation of public services, territorial investment and social inclusion policies reflecting the Country Specific Recommendations (CSRs) and the main challenges identified in the SWDs that assess national reform programmes”<sup>12</sup>.

The Commission highlights the need to complement the ESF with other funds – i.e. the European Regional Development Fund (ERDF) – when investing in childcare, health, housing and education infrastructure. For the period 2014-2020 the European Structural and Investment (ESI) Funds, embracing the well-known ESF, ERDF, PROGRESS 2007-2013 and the new Programme for Social Change and Innovation (PSCI) and the Fund for European Aid to Most Deprived (FEAD), represent the most important instruments for Member States to implement the strategy set out in the Social Investment Package and meet the Europe 2020 objectives. Besides the above mentioned funds, the Commission identifies other important financial instruments which support social innovation, social economy and social entrepreneurship. These are Horizon 2020, COSME (Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises), Health Programme and the additional resources from the World Bank, Council of Europe Development Bank and the European Investment Bank group.

Meanwhile the Commission also encourages social investments from private and third sector resources to complement public efforts (Micro-financing and Social Impact Bonds). It also urges Member States to properly allocate their resources when implementing the structural changes as proposed in the CSRs and to ensure that interventions supported by EU funds follow the social investment approach and strengthen the social dimension of the Europe 2020 Strategy.

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<sup>11</sup> Conclusion of the European Council, 7-8 February 2013

<sup>12</sup> The framework Communication: Towards Social Investment for Growth and Cohesion – Including implementing European Social Fund 2014-2020, p. 16

- **Key recommendations to Member States to achieve social investment priorities**

Although the Social Investment Package is not binding for Member States, the recommendations and the actions developed in the Communication do strongly urge Member States to take adequate measures to ensure better policy surveillance in the social areas and enable satisfactory levels of social investment across Europe. Among the proposals are:

- A call on Member States to revise public spending in health and social policies, shifting their focus in these and related areas from cutting to investing, to explore new ways to finance social investment and to maximise the resources available.
- Member States should reflect in their National Reform Programme the guidance provided in the Social Investment Package, which indicate a focus on policies such as childcare, education, training, housing support, rehabilitation and health services. There is a strong emphasis on the need to enhance monitoring of the outcomes of social investment and active inclusion in the Country Specific Recommendations as well as the efficiency and effectiveness of social systems in the European Semester. Member States are called to make suggestions “for strengthening the social dimension of the Europe 2020 Strategy, with a better connection to existing processes such as the open method of coordination”<sup>13</sup>. This would streamline governance and reporting mechanisms of the performance of Member States’ social systems.
- Indicative measures to stimulate funding in social investment, support adequate livelihood, improve the awareness of social rights, and invest in education and childcare. However it does not clarify how Member States can concretely achieve these objectives. The main challenge facing Member States remains the financing of the welfare state in an era of austerity, and when binding instruments to enhance budgetary and policy surveillance in the social areas do not exist. Alternative sources of financing and funding for social policies should be developed which pursue at national level more stringent fiscal policies while stimulating non-profit and private sectors towards allocating resources in social investment. At the same time Member States should continue to engage in direct funding of services and keep in mind the complementary nature of the private sector’s resources.

Although the Communication provides a set of key initiatives to ensure social investment is targeted, it does not present concrete actions on how Member States should implement the Package. And while the Commission recognises that the process of developing and monitoring reform programmes would benefit from “the involvement of relevant stakeholders

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<sup>13</sup> *Ivi*, p. 22

at all level, notably social partners and civil society organisations”<sup>14</sup>, and that there is a great opportunity for collaboration with civil society organisations in preparing National Reform Programmes (as indicated in the CSR), it again does not identify any concrete actions to that effect. It does however commit itself to setting up guidelines for stakeholder involvement at all levels and to ensuring performance monitoring of Member States’ progress.

## **II. Additional documents in the Social Investment Package relevant for social services providers. A special focus on the Third Biennial Report on Social Services of General Interest.**

The Social Investment Package collects different documents which address various social issues from the perspective of the importance of investing in social and health infrastructure and services. The documents provide policy guidance and information directed at national governments on topics as child well-being, health, social innovation, homelessness, active inclusion and long-term care.

- ***Commission Recommendation on “Investing in children: breaking the cycle of disadvantage”***

The Recommendation on child poverty and well-being entitled “Investing in children: breaking the cycle of disadvantage” represents an unprecedented step forward in terms of the Commission’s commitment to addressing child poverty in Europe. This Recommendation is the only one in the package which holds a legal status; the staff working documents are mainly informative.

The Recommendation gives guidelines by which Member States should organise and implement policies – through multidimensional strategies – to address child poverty and social exclusion and promote children’s well-being. It aims to establish a common European Framework, to strengthen synergies across policy areas and to help Member States review and exchange better practices and innovative approaches.

It is proposed as the key instrument to help deliver both the Europe 2020 poverty and early school-leaving targets. In many EU countries, children are considered more at risk of poverty and social exclusion than the overall population. With this in mind, early intervention and prevention approaches are essential to better reallocate public expenditure that attempts to combat child poverty. Member States are called on to develop integrated strategies based

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<sup>14</sup> *Ibidem.*

on three key pillars: access to adequate resources, access to affordable quality services and children's right to participate. These would promote equal opportunities beyond simply ensuring material security.

- ***Staff Working Document: "Follow-up on the implementation by the Member States of the 2008 European Commission recommendation on active inclusion of people excluded from the labour market – Towards a social investment approach"***

The Staff Working Document on the follow-up to the implementation by the Member States of the *2008 Recommendation on Active Inclusion*<sup>15</sup> of people excluded from the labour market is considered a key tool for social investment. In its report the Commission concludes that until this point the Member States have not developed fully fledged integrated comprehensive active inclusion strategies. It calls on them to "fully implement the *Recommendation on Active Inclusion (2008)* without further delay... integrating its three pillars: adequate income support, inclusive labour markets and enabling services"<sup>16</sup>. The report makes it clear that more work needs to be done in terms of integrated implementation with more robust monitoring. Again, however, it does not give clear guidance.

The Commission points out that Member States can lack administrative capacity or can struggle with vertical and horizontal coordination of the three pillars. It notes that they tend to focus on linking minimum income with active labour market policies rather than active labour market policies with services. The document does not comment on how relevant actors, such as civil society organisations, can get involved in how strategies are designed and implemented. And nothing is said on how to engage and consult all stakeholders in the monitoring and the implementation of the Recommendation.

- ***Staff Working Document: "Long-term care in aging societies - Challenges and policy options"***

The Staff Working Document on long-term care in ageing societies aims to show how social investment can address the needs of long-term care as part of the lifecycle approach. The document is complemented by the Staff Working Document on Investing in Health and Social Services of General Interest, also part of the Social Investment Package, and follows up the

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<sup>15</sup> Commission Recommendation of 3 October 2008 on the active inclusion of people excluded from the labour market. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32008H0867:EN:NOT>

<sup>16</sup> Staff Working Document: "Follow-up on the implementation by the Member States of the 2008 European Commission recommendation on active inclusion of people excluded from the labour market – Towards a social investment approach", p. 4

*European Year on Active Aging and Intergenerational Solidarity (2012)*<sup>17</sup>. It contains statistics and descriptions on aging trends across Europe: the expected growth in long-term care needs, the aging population's level of dependency and the predicted future cost of long-term care (LTC).

The document focuses mainly on independent living and analyses the advantages and disadvantages of different forms of delivery and long-term care financing. It covers formal and informal care and systems which combine both. The results of the analysis show that the systems differ in terms of "risk pooling", "equity in access" and in the capacity of the social protection system to optimise the "quality and efficiency" of care delivery. Informal systems, based on family care, are the most weak in relation to these key dimensions and represent only the tip of the iceberg in calculating the societal cost of caring for old people. The document concludes that "it will not be possible to ensure equality of access to long-term care, guarantee its quality or develop productivity unless most of the current informal care is lifted into the formal sector"<sup>18</sup>.

The Commission identifies policy options to address the need to "close the gap" between the growing demand of long-term care and the shrinking public resources, and it asserts that social investment strategy for long-term care should be based on prevention, health and rehabilitation. Key factors in this process are the productivity of care delivery, which is influenced by current changes in the working patterns, new tools to support family carers, and the increased capacity of older people's ability to care for themselves and live independently. The Commission presents some examples of good practices or innovations in long-term care from different countries. These support the idea that the promotion of social innovation will lead to investment, an "age-friendly environment, and more qualified professional carers.

- **Staff Working Document: "Investing in Health"**

This Staff Working Document aims to show how investing in health contributes to the Europe 2020 goal of smart, sustainable and inclusive growth. The document follows the *2013 Annual Growth Survey*<sup>19</sup> that emphasised the healthcare sector's contribution to economic recovery. The document highlights the importance of health in any society, stating that health is both "a value in itself" as well as "a precondition for economic prosperity". The primary focus is on

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<sup>17</sup> European Year on Active Aging and Intergenerational Solidarity website: <http://europa.eu/ey2012/>

<sup>18</sup> Staff Working Document: "Long-term care in aging societies - Challenges and policy options", p. 15

<sup>19</sup> Communication from the EU Commission of 28 November 2012, Annual Growth Survey 2013, [http://ec.europa.eu/europe2020/pdf/ags2013\\_en.pdf](http://ec.europa.eu/europe2020/pdf/ags2013_en.pdf)

the need to ensure universal access to health care and increase its quality in order to reduce those inequalities which exacerbate poverty and social exclusion. The Commission identifies four main investment areas:

- 1) Sustainable health systems, showing how innovative reforms may reduce budgets without reducing services offered, and increase efficiency and cost-effectiveness.
- 2) People's health as human capital, benefitting society overall. A healthy population contributes to employability, which helps to make economic and social policies more effective as well as contributing to overall growth.
- 3) Reducing health inequalities. This would contribute to a more cohesive society as well as breaking the vicious cycle where poor health contributes to increased poverty and social exclusion.
- 4) Health through adequate support from EU funds. This section of the document aims to show the tools available to Member States willing to invest in better and more sustainable healthcare systems in line with the new EU Health Programme.

The Commission concludes that the above-mentioned targeted investment, when complemented by structural reforms, ensures universal access to safe, high-quality, efficient health care services and represents an important contribution to economic productivity and social inclusion.

- ***Staff working document: Third Biennial Report on Social Services of General Interest (2013)***<sup>20</sup>

The Third Biennial Report on Social Services of General Interest, part of the Social Investment Package, “will help public authorities and stakeholders to understand and implement the revised EU rules on social services and thus invest in the sector in a safer way, in compliance with the EU legal framework”. This Report is part of a Commission strategy of clarification on Social Services of General Interest (SSGI). It follows the two previous *Biennial Reports*<sup>21</sup> that give a description of the social and economic situation of SSGI. It summarises EU actions over the last two years which have affected SSGI, namely the package including new State aid rules which apply to services of general economic interest (SGEI) and the proposal for a new Directive on public procurement and concessions.

With the adoption of this report, the Commission is trying to assuage critics within public authorities and civil society organisations who say that the application of EU rules on

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<sup>20</sup> Commission Staff working document: Third Biennial Report on Social Services of General Interest (2013), p. 2.

<sup>21</sup> See the First Biennial Report on SSGI, July 2008 and the Second Biennial Report on SSGI, October 2010.

State aid, internal market and public procurement to social services is complex and constrains public authorities when organising and financing services. Their main concern is that these rules lead to “the liberalisation, privatisation and deregulation of the sector, and to the provision of poor-quality services”<sup>22</sup>. It has also been reported by the Informal Network of Social Services Providers (INSSP) that “some authorities misunderstand the rules or implement them in a way more restrictive than necessary”<sup>23</sup>.

The Commission does recognise that some difficulties may arise from the way EU rules are implemented at national level. In clarifying the EU rules, it acknowledges the specificities of social services in the context of the internal market and reasserts that it is the Member States’ responsibility to properly understand the EU rules and to implement them to design high-quality and cost-effective social services which meet the need of the citizens.

According to the Commission, the new set of rules, both in State aid and public procurement, is “flexible, predictable and proportionate”<sup>24</sup> and allows public authorities to organise and finance social services in a more efficient and effective way. The organisation, provision, monitoring and funding of social and health policies and services is a primary responsibility of Member States. This includes when public authorities decide not to provide services themselves but to commission the provision to third parties. They must ensure that the appropriate legal, political and financial environment exists in order to allow those services providers to fulfil their mission. Public authorities may pledge to respect EU rules when outsourcing social services, but this does not mean necessarily that efficiency and effectiveness are also guaranteed.

The general idea developed by the Commission in the Report is that proper implementation of EU rules will increase the effectiveness, transparency and efficiency of contracted public spending and maximise return on the resources invested in social services. An approach where the lowest cost is a criterion in tenders for social services can have positive and negative outcomes. On one hand it allows public authorities to reduce the costs of services, but on the other it can negatively impact the quality of services and the working conditions.

To improve the level of understanding of EU rules and to engage in a stakeholders’ dialogue, the Commission has developed a series of actions: SSGI forums held in 2007, 2008 and 2010, the Guide on EU rules on SSGI (recently updated<sup>25</sup>), the biennial reports, frequently-asked questions and an interactive information service.

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<sup>22</sup> *Ivi*, p. 4.

<sup>23</sup> *Ibidem*.

<sup>24</sup> *Ivi*, p. 5

<sup>25</sup> Guide to the application of the European Union rules on state aid, public procurement and internal market to services of general interest (SGEI) and in particular to social services of general interest (SSGI), [http://ec.europa.eu/competition/state\\_aid/overview/new\\_guide\\_eu\\_rules\\_procurement\\_en.pdf](http://ec.europa.eu/competition/state_aid/overview/new_guide_eu_rules_procurement_en.pdf)

The scheme below summarises the main developments related to the application of EU rules on State aid and public procurement to social services as detailed in the Third Biennial Report on SSGI:

### ➔ State aid rules

**Altmark package (2005)** consisting of a Decision<sup>26</sup> and a Framework<sup>27</sup>.

- *Context:* Adopted in the aftermath of the Altmark judgement which set up four criteria to define when a grant given by public authorities to the providers of services of general interest of an economic nature does not constitute State aid. In many instances the financing of SGEI to NGOs might not meet the Altmark criteria and might constitute State aid, and so NGOs that received the grant would have to repay it to the public authority.
- *Objective:* to provide a legal certainty and to better clarify the conditions under which State aid for the provision of social services is compatible with the internal market.

**Almunia package (2012)**<sup>28</sup>

- *Context:* the experience gained with the application of the Altmark package led to the need to review EU rules to ensure that social services providers (especially NGOs) who regularly receive grants and other forms of financing may operate in a clear and defined legal environment and avoid a potential instance of illegal State aid.
- *Objective:* to ensure the legality of public financing and secure the investment needed for social services.
- *Consisting of:*
  - **Communication on the application for State aid rules:**  
Clarifies the basic concepts of State aid relevant for SGEI: State aid rules apply to the financing of social services of an economic nature even if the body providing the service has a not-for profit status.
  - **Revised Decision on public service compensation:**

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<sup>26</sup> Commission Decision of 28 November 2005 on the application of the Article 86(2) of the EC Treaty to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest.

<sup>27</sup> Community Framework for State aid in the form of public service compensation, 29 November 2005.

<sup>28</sup> To consult the documents see [http://ec.europa.eu/competition/state\\_aid/legislation/sgei.html](http://ec.europa.eu/competition/state_aid/legislation/sgei.html)

Defines the conditions under which financing for a SGEI that constitute State aid are compatible with the internal market and do not have to be notified to the Commission: financing to all services meeting social needs as regards health and long-term care, childcare, access to and reintegration into the labour market, social housing and the care and social inclusion of vulnerable groups. The list, covering the most important areas of social services, allows Member States to include different types of services identifying in *vulnerable groups* the social groups that need services.

- ***Revised Framework for State aid in the form of public service compensation:***

To be used to assess aid to SGEI that is not exempt from notification by the Decision. The Commission has therefore to decide on its compatibility with the internal market.

- ***SGEI de minimis Regulation:***

SGEI compensation under 500 000 euros per undertaking over three fiscal years does not constitute State aid. The main effect is to facilitate local public authorities in their compliance with State aid rules when financing small social services. The Commission has taken into consideration the fact that, in the present economic conditions, social services are particularly needed and require financial support from public authorities. At the current stage of development of the internal market, such financial support does not necessarily produce a distortion of competition.

➔ **Public procurement rules**

***Directive 2004/18/EC***<sup>29</sup>

Public procurement rules apply when public authorities in the Member States decide to outsource their provision of services to an external provider in return for remuneration. Not all the outsourcing services entail signing a public contract; public authorities can merely finance an initiative or a service and thereby comply with the principle of transparency, non discrimination and proportionality. The Directive currently in force, which takes into account

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<sup>29</sup> EU directive 2004/18 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts (31 March 2004)  
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2004:134:0114:0240:EN:PDF>

the specific characteristics of the social services sector states that only a very limited number of rules apply to the outsourcing of social services (Article 21).

### ***The Commission proposal for a new Public Procurement Directive (2011)***<sup>30</sup>

The proposal sets out a specific, lighter and simpler regime for social services, more suited to their specific characteristics and the need to ensure quality (recital 11). The Commission argues that Member States enjoy a wide margin of discretion in how they choose service providers, especially given the importance of cultural context and sensitivity around social services. The main components of the proposed regime are:

- *A threshold of 500 000 euros.* The Directive applies only for contracts above this figure which have a cross-border interest. It thus simplifies life for public authorities which manage small social services.
- *Flexibility* for Member States to determine the procedural rules applicable, as long as the Treaty's principles of transparency and non-discrimination are complied with. This means that public authorities must treat in a non-discriminatory manner all the potential providers that show interest in the contract and publish both the contract notice and the contract award notice.
- Increased attention to the *specific characteristics* of social services. In awarding a contract, public authorities should may take into account the need to ensure quality, continuity, accessibility, availability and comprehensiveness of the services (article 76).
- The right for Member States to prohibit their public authorities from awarding social services solely on the basis of the price and to maintain the possibility that such services may be awarded on the basis of criteria combining quality and price (*MEAT criteria*).
- *Social considerations* in procurement procedures (applying not only to social services but also to goods and works). The Commission proposes that among the criteria for the awarding of a contract, public authorities should specify characteristics which relate to the working conditions of people participating in the process of production or supply of the good or service. These working conditions may concern the protection of health or may favour the social integration of disadvantaged people or vulnerable groups.

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<sup>30</sup> European Commission, Proposal for a directive of the European Parliament and of the Council on public procurement 2011/0896 final <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52011PC0896:EN:NOT>

- Possibility of *reserving public contracts* for certain types of actors committed to the social and professional integration of people with disabilities and of disadvantaged workers, such as the long-term unemployed.

At the moment the co-decision procedure for the adaption of the Directives on public procurement is still progressing.

#### **IV. Stakeholders' reaction and further actions**

The adaption of the Social Investment Package has raised different reactions among stakeholders who respond to the opportunity it gives to reorient the current policies towards a necessary integration of social and economic policies both at EU and national level. Especially in times of economic crisis, budgetary surveillance has to be complemented by investment in social protection, quality and affordability of services, and active inclusion policies. In recent years many Member States have implemented austerity measures which have included huge cuts in public expenditure in social and health services, social protection and education. This approach has contributed to increased poverty, social exclusion and unemployment, as well as wider inequality between Member States.

Stakeholders representing social services providers appreciate the fact that the new social policy agenda focuses on the significant social and economic returns on social investment. They believe that the Social Investment Package represents the first step in a longer-term strategic process of better integrating and re-balancing social and economic governance within the European Union. However, it is critically important that the Commission provides guidance for national level implementation of the Package so that the ambitious objectives in line with the social and economic Europe 2020 targets can be achieved. Although the Commission highlights some available mechanisms to encourage the proper implementation of the Package, stakeholders believe that concrete measures on how to build the necessary co-operation with national and local governments, relevant actors, and civil society organisations, are missing.

- **Social Services Europe**, as a European network of not-for-profit providers of social and health care services, notes that the Commission identifies mechanisms to support the implementation of the Package, such as the European Semester or the EU funds, but it does not provide any concrete opportunities (nor simple references) for the social services providers who play a key role in the process of modernising social policy. Social Services Europe believes that it has an important role to play as a key partner to the European Commission in ensuring the implementation of the

Package at national level. The European network focuses on the importance of using the European Social Fund and the new Programme for Social Change and Innovation to finance the priorities identified in the Social Investment Package. Social Services Europe considers that social service providers are best placed to help the Commission to identify the needs of different target groups, especially in the current financial situation where people experiencing multiple disadvantages are increasingly taking advantage of their rights to free movement within the European Union. The Commission can benefit from this partnership to address initiatives which support the new targeted approach towards social investment. Social Services Europe can also have a very important role in identifying social innovation and translating it into appropriate, evidence-based training programmes for national and local social service providers, or in facilitating the exchange of best practices.

- ***The Platform of European Social NGOs (Social Platform)***, while welcoming the launch of the Social Investment Package, has proposed some concrete suggestions to ensure the implementation of social investment policies. The Social Platform focuses on the need to guarantee a fundamental rights approach to social policies, to ensure that even the most vulnerable people have access to the labour market and to society. Regarding the implementation measures to be undertaken by Member States, the Social Platform highlights the importance of identifying alternative sources of funding for social policies both at EU and national level, and facilitating access to private funding for the not-for profit sector and social enterprises. In this process the main actors are the decision-makers at national levels who must shift their focus from cutting social budgets to investing in policy areas and adopt adjustment mechanisms in the re-distribution/allocation of resources through tax justice. The Social Platform also considers that co-operation with stakeholders at all levels is a key element to the success of social investment policies, especially in developing, implementing and monitoring National Reform Programmes and Country Specific Recommendations.

The stakeholders' reaction at EU level shows the commitment of civil society organisations to help the Commission take further actions and define guidelines which support the proper implementation of social investment priorities at national level and encourage public authorities in their social policy reform efforts.

## **V. Conclusions**

On the basis of the recommendations contained in the Social Investment Package, Member States are expected to place measures to modernise their welfare systems. The main idea is that only by investing more and better in people's daily lives and future social wellbeing, Europe will get out of the crisis, and ensure credibility and legitimacy. To embed the social investment approach at national level the European Commission emphasises the importance in focusing social policies on long-term benefits of early intervention and prevention. People's needs from birth to old age are the core of social policies which ensure people's active participation in the labour market and in the society.

The partnerships between NGOs, local governments, people experiencing poverty and other stakeholders as social innovators and social entrepreneurs is needed to achieve these objectives. The European Commission has a clear role in engaging stakeholders and supporting their dialogue through capacity-building, peer reviews and promotion of good practices. Concrete actions in this direction and precise guidelines will represent the first step forward for the implementation of Social Investment Package.

## ANNEX 1 – Useful references

Social Investment Package adopted by the European Commission in February 2012.

<http://ec.europa.eu/social/main.jsp?catId=1044&langId=en>

Communication from the EU Commission, Europe 2020 – a strategy for a smart, sustainable and inclusive growth, March 2010 [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm)

European Platform against Poverty and Social Exclusion on the European Commission <http://ec.europa.eu/social/main.jsp?langId=en&catId=961>

Employment package adopted by the European Commission in April 2012 [http://ec.europa.eu/commission\\_2010-014/andor/headlines/news/2012/04/20120418\\_en.htm](http://ec.europa.eu/commission_2010-014/andor/headlines/news/2012/04/20120418_en.htm)

Youth Employment Package <http://ec.europa.eu/social/main.jsp?catId=1036>

EU Employment and Social Situation Quarterly Review - March 2013

<http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1852&furtherNews=yes>

Commission Recommendation 2008/867/EC of 3 October 2008 on the active inclusion of people excluded from the labour market

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32008H0867:EN:NOT>

Guide to the application of the European Union rules on state aid, public procurement and internal market to services of general interest (SGEI) and in particular to social services of general interest (SSGI) - 2013

[http://ec.europa.eu/competition/state\\_aid/overview/new\\_guide\\_eu\\_rules\\_procurement\\_en.pdf](http://ec.europa.eu/competition/state_aid/overview/new_guide_eu_rules_procurement_en.pdf)

EPR analytical paper “[The impact of the EC proposal for a directive on public procurement for social services](#)” – March 2012

EPR analytical paper “[The second biennial report on social services of general interest](#)” – January 2011

Social Agenda 33 – Social investment (April 2013)

<http://ec.europa.eu/social/main.jsp?catId=737&langId=en&pubId=7511&furtherPubs=yes>