



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from: Permanent Representatives Committee (Part I)
to: Council (EPSCO)
on: 20 June 2013

Subject: Towards social investment for growth and cohesion
- Draft Council Conclusions

1. The Presidency has prepared the attached set of draft Council Conclusions following the "Social Investment Package" the Commission presented on 21 February 2013¹.
2. The Working Party on Social Questions has reached broad agreement on the text of the Conclusions.
3. At its meeting on 12 June 2013, the Permanent Representatives Committee confirmed the broad agreement on the text (as attached).

¹ Communication "Towards social investment for growth and cohesion- including implementing the European Social Fund 2014 - 2020.

DE has maintained a scrutiny reservation on paragraph 20, asking for replacing the reference budgets by a reference to new instruments that fully respect national competences, legal frameworks and methodologies. However, most delegations supported the Presidency text.

UK has entered a parliamentary scrutiny reservation.

4. The Council (EPSCO) is invited to agree on the open issue and adopt the attached Conclusions.

Towards social investment for growth and cohesion

Draft Council Conclusions

1. The turmoil in the financial markets and sovereign debt crisis that hit Europe in 2008 has led to a severe economic downturn with negative social consequences for most Member States through significant household income losses and indebtedness, rising unemployment, poverty and social exclusion. These cyclical effects have compounded underlying structural challenges, such as those arising from population ageing, exclusion from work and continued gender-based inequalities in pay, employment and poverty. Together, these threaten the achievement of the Europe 2020 objectives and agreed targets.
2. In some instances, the impact of the crisis has been compounded by weaknesses in social policy instruments in the face of a deep recession, thereby limiting the life-chances for individuals and undermining wider social cohesion. It also jeopardises the longer-term productive capacity of Member States' economies and in turn, the prospects for a job-rich and inclusive growth recovery in the European Union.
3. Social policy instruments should be responsive to the needs of society and its citizens, adequate to respond to crises, and incentivise active participation in the labour market and society. Although social policies are primarily the competence of Member States, the EU supports and complements the activities of the Member States.
4. While the crisis has highlighted the interdependence of Member States' economies and the critical role of social policy in developing and preserving human capital, stabilising the economy and providing adequate and sustainable social protection, it has also pointed to considerable divergence in Member States' capacity to respond to labour market and social protection challenges.

Social investment policies and modernisation of social protection systems

5. Well-designed and effective social policies address the effects of the crisis through their macroeconomic stabilisation and social protection functions. These functions would be reinforced by utilising a social investment approach for example: by addressing people's needs using preventative and integrated strategies; by strengthening their current and future capacities; and by acting as a catalyst for economic recovery, improved social outcomes and long-term sustainable growth and social cohesion.
6. The reinforcing effects of social investment can be achieved through well-designed reforms at country level that strengthen human capital, health, education and skills, support wider social participation, foster social inclusion, improve the effectiveness and efficiency of social protection systems and promote, where appropriate, more innovative tools to finance social entrepreneurs. On the other hand, poorly-designed social policy reforms can result in negative human capital outcomes thereby weakening economic competitiveness and growth in the long-term.
7. Social protection systems should be reformed, where necessary, taking account of the principles of social investment, by complementing universal with selective approaches to improve their effectiveness, and by simplifying them in order to improve access, coverage and take-up. In this way, Member States can safeguard their adequacy and sustainability. Relevant stakeholders such as social partners and civil society organisations at national and European level may through their experience provide a useful contribution to this process of reform.

8. Social policy reforms should also be informed by the principles of active inclusion, thereby enabling and supporting the most disadvantaged to participate in the labour market and society. These measures should include those that combine: access to adequate income support, which can be informed by evidence-based tools, for example the use of reference budgets or similar instruments at national level where these are appropriate; effective activation measures that involve a proper balance between rights and responsibilities; and access to a wide range of services that support economic and social inclusion. In particular, policy needs to address a combination of extreme marginalisation and discrimination that reinforces social exclusion.
9. Social investment is best delivered through an appropriate alignment of services and benefits to needs as they emerge through a person's life-cycle. It is essential that social investment begins at an early age given that social disadvantage, if not prevented or tackled early, can have lifelong effects and be transmitted across generations. For instance, intervention policies that focus on early childhood education and care, have a major potential to address income, health and education challenges.

Social Investment and European policy processes

10. As part of current reflections on the role of social protection, including the role of social investment, in the European Union, further consideration is needed on how to make the system of governance more effective within the current frameworks and processes, to strengthen the role of the EPSCO Council, ensure involvement of stakeholders, and improve reporting in the social policy area at national and EU level.
11. Given the scale and scope of recent changes in economic and fiscal governance as well as the developments in the employment and social situation, there is a need for EU institutions and Member States to ensure that social investment approaches are considered in the current discussion on the social dimension of the Economic and Monetary Union.

12. According to the social investment approach, the longer-term prospects for the European Union would be improved if Member States embed the concept of social investment in their own policies and make effective use of EU structural and investment funds to support social investment. Both the European Semester and the social Open Method of Coordination processes can help with making progress in this area, including through sharing information and good practice.

Role of EU funds

13. EU financial resources can act as a direct support to Member States in undertaking certain activities and indirectly as a catalyst in improving national policies with the practical implementation of the social investment concept. This support should be delivered through existing EU funds, notably the European Social Fund, and reinforced by forthcoming operational policy guidance. In addition, and without prejudice to ongoing discussions, the Commission envisages targeted initiatives to stimulate funding for social investment, to support adequate livelihoods and improve awareness of social rights, and investing in children.
14. This new orientation of structural and investment funds should continue to provide support to Member States in the implementation of relevant Country Specific Recommendations; this can help to improve the efficiency of public spending and facilitate social investment from the private and third-sectors.

In the light of the above considerations,

THE COUNCIL OF THE EUROPEAN UNION,

WELCOMES

15. the integrated approach proposed in the Social Investment Package, in particular:

16. the European Commission Communication "Towards Social Investment for Growth and Cohesion" and its focus on: spending more effectively and efficiently to ensure adequate and sustainable social protection; investing in people's skills and capacities to improve their opportunities to integrate in the labour market and society; ensuring that social protection systems respond to people's needs at critical moment during their lives;
17. the European Commission Recommendation "Investing in Children: Breaking the Cycle of Disadvantage" that calls for an integrated, preventative and child-friendly approach to social investment; this requires a stepping-up of efforts to break the transmission of disadvantage across generations through multi-dimensional approaches that combine access to adequate resources and good-quality affordable services with children's rights to participate in decision-making that affects their lives.

INVITES THE COMMISSION, THE MEMBER STATES AND THE SOCIAL PROTECTION COMMITTEE

in accordance with their respective competences, and taking into account the specific situation in each Member State:

18. to give consideration to the social investment approach, where relevant, in future work by the EU institutions; in the context of the European Semester process through, for example, being referenced in National Reform Programmes of the Member States, and in the social Open Method of Coordination, through inclusion in National Social Reports and through thematic surveillance of the main themes and concepts outlined in the package;
19. to facilitate work by the Social Protection Committee, using the social Open Method of Coordination and where relevant, the European Semester process, in cooperation with the European Commission and relevant committees, in examining the financing of social protection systems and assessing their effectiveness and efficiency in addressing *inter alia* the social investment concept;

20. to work together, as part of efforts to pursue an active inclusion strategy, to examine the methodology and possible usefulness of reference budgets² or similar instruments that respect national competences and can demonstrate an added-value in the design of efficient and adequate income support;
21. to set out the means by which social policy priorities of the Social Investment Package can be better implemented through the EU structural and investment funds, *inter alia*, through the ESF, and show how this work should be better advanced through operational guidance by the Commission;
22. to monitor the implementation of social investment approaches taking into account their efficiency and effectiveness, in order to ensure that the full gains from the social investment approach are achieved in Member States.

INVITES THE MEMBER STATES

23. to recognise that well-designed social investment policies complement the macroeconomic stabilisation and social protection functions of welfare states;
24. to take account of the European Commission Communication on Social Investment for Cohesion and Growth (2013) as an integrated framework for the design and reform of social policies particularly in policy areas highlighted as having a strong social investment dimension;
25. to recognise the potential of a social investment approach, with its emphasis on prevention which reduces the need for later measures, to contribute to raising employment levels;

² DE has maintained a scrutiny reservation.

26. to consider putting in place simplified benefit systems and more joined-up social policies where necessary complementing universal with selective approaches, to provide adequate and sustainable social protection systems;
27. to give increased attention to the design and implementation of comprehensive active inclusion strategies, which encompass adequate income support, active labour market policies and access to enabling services, as part of National Reform Programmes and the European Semester process, as well as National Social Reports, in line with the European Commission Recommendation on Active Inclusion (2008);
28. to design and implement child-friendly policies to invest in children and break the cycle of social disadvantage, taking account, where appropriate, the European Commission Recommendation on Investing in Children (2013);
29. to design and implement coherent social and labour market policies to tackle gender inequalities, by addressing issues such as the increased poverty risk for older women, the gender pay gap, and barriers to women's participation in the labour market; the latter will not only reduce future poverty risks for older women, but will also improve living conditions for children now living in low work intensity households;
30. to promote inclusive labour markets by addressing workplace discrimination and encouraging employers to offer reconciliation measures, adapted workplaces, and programmes for up-skilling and training;
31. to recognise that a healthy population, in addition to being of value in itself, can have a positive influence on economic outcomes such as labour supply and productivity, human capital, and overall public spending. Member States should therefore tackle social and health risks at critical moments throughout people's lives, taking particular account of the benefits of prevention and promotion as well as care, ensuring universal access to high quality healthcare services, and modernising health care systems to improve their cost-effectiveness and sustainability;

32. to confront homelessness through comprehensive strategies based on prevention, housing-led approaches and reviewing regulations and practices on eviction, taking into account the key findings of the specific guidance on homelessness as part of the Social Investment Package;
33. to emphasise social policy innovation, test new approaches to social policies and report on these through National Social Reports as part of the social Open Method of Coordination and/or National Reform Programmes where relevant for the attainment of Europe 2020 targets;
34. to explore the use of more innovative approaches to financing, for example the participation of the private sector and financial instruments such as micro-finance;
35. to step-up efforts to improve the timeliness of social statistics through the European Statistical System as a support to the monitoring of social trends and of the performance of welfare systems;
36. to involve social partners and broader civil society in the design and implementation of social investment approaches at national level.

INVITES THE COMMISSION

37. to develop further the analytical underpinnings of social investment as a critical element for social policies in addition to the stabilisation and social protection functions of welfare systems, and to provide guidance on this, *inter alia*, through the Annual Growth Survey;
38. to provide appropriate guidance to Member States on how best to use European structural and investment funds in putting into operation the concept of social investment including in the areas of social policy innovation and entrepreneurship; to make proposals on how the European Platform against Poverty and Social Exclusion should further contribute to this issue; and strengthen the involvement of stakeholders;

39. to support Member States to overcome obstacles to the improvement of the timeliness of social statistics;
40. to develop, in cooperation with the Member States and relevant partners and institutions, a knowledge bank on social investment approaches in order to improve the dissemination of knowledge and evidence from the social sector, share policy experiences and lessons and increase the cost-effectiveness of social policies; and to report to the EPSCO Council in 2014 on progress achieved in this regard. Such a knowledge bank would be designed to minimise the possible administrative burden on Member States by drawing from existing knowledge banks, National Social Reports, National Reform Programmes and the European structural and investment funds.

INVITES THE SOCIAL PROTECTION COMMITTEE

41. to undertake, with the support of the Commission, the necessary analytical work to assess the performance of social policies in terms of their investment, protection and stabilisation functions, paying particular attention to their interaction, sustainability, adequacy and growth-enhancing capacity;
42. to continue its reflections on the social dimension of Economic and Monetary Union, and in particular the social divergences between and within Member States particularly in the context of increasing interdependence between Member States, co-ordination of economic policies, and potential spill-overs from social imbalances.
