

Together for



Briefing #62

EUROPEAN SEMESTER 2014: ENSURE SOCIAL PROGRESS

Recommendations to strengthen the social dimension
of the European Union



solidar

TABLE OF CONTENTS

Foreword	3
Executive Summary	4
European Semester: a tool to tackle the crisis?	5
Benchmarks to monitor the rise of unemployment and inequalities	6
Assessing Social Progress	8
European Semester 2014: Ensure Social Progress	15
Explained: SOLIDAR Social Progress Watch Initiative	17

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SOLIDAR is a European network of 60 NGOs
working to advance social justice in Europe and worldwide.

SOLIDAR lobbies the EU and international institutions in
three primary areas: social affairs, international cooperation and education.

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Foreword

In recent years Europe has been faced with one of the worst economic and financial crises. The immediate response of the EU was to focus on fiscal and financial consolidation through austerity plans which resulted in even more inequality for the poor and vulnerable groups. The Annual Growth Survey 2014 shows that there is a need for policy change. The crisis has led to 120 million people living in or at risk of poverty in Europe, to a rise in unemployment figures to 24 million and to an equal number of working poor, no longer able to live on the income they earn.

Now it is time for **social consolidation** and to increase social cohesion within and between European Union Member States.

There is no need for more unnecessary regulation. What is needed is the regulation of the financial markets allowing for their real control, so they do not endanger national budgets or the savings of working people. There is no need for ever more flexible labour markets which endanger social protection schemes. Europe needs policies promoting quality employment, motivating and protecting employees and workers, Europe's major resource. People in Europe, and in particular those in difficulties, need social services of general interest and a protective Social Union, not policies that undermine the *Social Acquis*.

Investments need incentives which can be created by policies at EU level, investment in education and training, in social economy and in sustainable industrial development, which are not based on speculation and short-termism. The European Semester 2014 has to become the tool to effectively monitor social consolidation.

To achieve the Europe 2020 target, the scoreboard of key employment and social indicators included in the Annual Growth Survey 2014 (unemployment rate; youth unemployment and the rate of those not in education, employment or training; household disposable income; and the at-risk-of-poverty rate) should be used not only as an analytical tool but also as a basis to develop concrete indicators for Member States.

With this briefing paper, we launch the **SOLIDAR Social Progress Watch Initiative**; a monitoring tool to evaluate progress made towards a more social and cohesive Europe within the framework of the European Semester. It will analyse closely the social consolidation desperately needed throughout the European Union in 2014.

SOLIDAR is a European network of 60 NGOs working to advance social justice in Europe and worldwide. SOLIDAR voices the concerns of its member organisations to the EU and international institutions across the policy sectors of social affairs, international cooperation and lifelong learning.

Together for social justice in Europe – and worldwide!



Conny Reuter
Secretary General

Executive Summary

The Annual Growth Survey 2014 shows that unemployment has reached unprecedented levels in the European Union, while inequalities are steadily growing. In order to achieve the Europe 2020 targets of a 75% employment rate, increasing the number of adults completing third level education to at least 40% and reducing the number of people living in poverty by 20 million, the EU has to step up efforts to promote of a high level of employment, guarantee adequate social protection, combat social exclusion, promote access to education and increase participation in lifelong learning.

In an overwhelming majority of EU Member States unemployment has increased in 2013 and youth unemployment in particular has reached alarming levels, exceeding 50% in Italy, Spain, Croatia and Greece. Inequalities between social groups (and regions) to access to healthcare and quality social services remain long-standing challenges. Public expenditure on education has decreased as a consequence of austerity driven programmes, despite the widening gap between learning outcomes and labour market demands. Participation in lifelong learning is below the targets defined in the Europe 2020 strategy. Poverty and social exclusion are steadily increasing in the EU, mainly as a result of the labour market situation, high household debt levels and the limited effectiveness of the social protection system to respond to growing needs.

In the framework of the European Semester 2014, employment and social developments should be given due attention in order to make concrete steps towards realising active inclusion and social cohesion as well as preventing increasing disparities and long-term exclusion, in line with the objectives of the Europe 2020 Strategy. To that end, SOLIDAR recommends the following priorities for the upcoming policy cycle:

- **Further strengthen the social dimension of the European Semester:** Strengthening active inclusion and social cohesion by raising social standards in all Member States.
- **Fight unemployment and in particular youth unemployment:** Promoting initiatives aimed at providing inclusive labour market opportunities to vulnerable groups, in particular young people who are not in employment, education and training (NEETs) and migrants.
- **Improve access to healthcare and quality social services for all:** Ensuring universal access to social services as a pre-requisite to fight against poverty and realise equality.
- **Promote access and participation in lifelong learning:** Encouraging participation in lifelong learning – especially non-formal and informal learning - especially for young adults not in employment, education and training (NEETs), school dropouts and people at risk of skills deterioration.
- **Promote, reinforce and support social economy:** Promoting economic models – based on the values of co-operation, inclusivity, trust, democratic legitimacy, equality and reinvestment of benefits – that support the creation of sustainable, inclusive and quality jobs.
- **Strengthen active citizenship and volunteering for social cohesion:** Promoting people's empowerment and social engagement, such as volunteering, that are crucial aspects of the creation of a more cohesive society in which every individual can fully participate realising her/his own potential and contributing to the well-being of their communities.
- **Fight discrimination and social exclusion:** Promoting a rights-based approach to remove obstacles for vulnerable, excluded and marginalised people to access their rights as well as to receive equal opportunities and equal treatment.

With this briefing paper, SOLIDAR launches the Social Progress Watch Initiative; a monitoring tool to evaluate progress made towards a more social Europe within the framework of the European Semester. The initiative will be initially carried out in 11 EU Member States and provide evaluations which can feed into the development of the scoreboard of key employment and social indicators, recently included in the European Semester 2014 to reinforce the social dimension of macro-economic surveillance within the European Semester. At the end, in line with the policy making process, the initiative will provide evidence-based recommendations to the European Institutions and Member States on how to jointly combat unemployment and create more equal and inclusive societies.

European Semester: a tool to tackle the crisis?

The European Semester – set up by the European Commission in 2011 to foster economic growth and prevent excessive macro-economic imbalances – has represented a governance instrument with far reaching influence on national social and economic policies, including unforeseen negative consequences on social conditions all over the European Union.

In 2011 all Member States (re)committed to achieving the Europe 2020 targets and to promoting growth-enhancing policies. As a result the European Commission set up a yearly cycle of economic policy coordination called the **European Semester**. In this process, each year the European Commission undertakes a detailed analysis of EU Member States' programmes of economic and structural reforms and provides them with recommendations for the next 12-18 months. This starts when the Commission adopts its Annual Growth Survey, usually in November, which sets out EU priorities for the coming year to boost growth and job creation. In 2013 the Survey was launched on 13 November.

Unfortunately the first European Semester cycle 2012 focussed on economic and financial policies favouring budget cuts in the social field that continue to damage the European welfare state. Alarming evidence is reported by many, including the Commission in the latest Employment and Social Situation Quarterly Review: *"Labour market and social conditions remain extremely challenging...The EU is struggling with high unemployment, low employment, rising poverty and social exclusion, and declining household incomes."* This reveals how the EU is far from achieving the Europe 2020 poverty and employment targets¹.

The European Commission acknowledged that there is no way out of the crisis if economic growth is not accompanied by inclusive and job rich policies as well as a stronger role for social investment. For instance the Social Investment package² reports that *in order to foster growth it is necessary to move forward an economic model including a social investment approach helping to achieve the social, employment and education targets of the Europe 2020 strategy.*

The **Europe 2020 targets** include: achieving a 75% employment rate; reducing school drop-out rates to below 10% and increasing the number of

adults completing third level education to at least 40%; reducing the number of people living in poverty by 20 million by 2020.

In line with the above-mentioned acknowledgments, on 2 October the European Commission launched a Communication³ calling for a strengthening of the social dimension of the Economic and Monetary Union which has been followed by the creation – for the time being – of a scoreboard of key employment and social indicators⁴ composed of headline indicators, to better and earlier identify major employment and social problems that need to be tackled to address the current crisis and to prevent serious divergence between Eurozone countries' social situation.

Comparable to the Europe 2020 targets, the **scoreboard headline indicators** include:

- The unemployment rate
- Youth unemployment and the rate of those not in employment, education or training (NEET rate)
- Household disposable income
- The at-risk-of-poverty rate
- Inequalities (the S80/S20 ratio)

Since the publication of the Blueprint for a Deep and Genuine Economic and Monetary Union, SOLIDAR has advocated for a strengthening of the social dimension of Economic and Monetary Union, starting from the recognition that economic growth alone does not reduce inequalities in society. A comprehensive approach is needed to tackle poverty and reduce inequalities, promoting social inclusion and participatory democracy.

The purpose of this baseline study is to provide recommendations on how to foster active inclusion and social cohesion for a more social European Semester. In addition, SOLIDAR presents its Social Progress Watch Initiative, a monitoring tool to evaluate Member States' commitment to implementing the Country Specific Recommendations as well as to contributing to promoting active inclusion, reducing poverty and inequality, fighting unemployment and tackling demographic challenges when developing national policy strategies that promote lifelong learning as well as policies in the employment and social sector.

¹ Ensure the well-being of all people through the Europe 2020 Strategy and its annual European Semester (Social Platform, June 2013)

² COM/2013/083

³ COM(2013) 690 provisoire

⁴ The scoreboard has been included in the draft Joint Employment report – annexed to the Annual Growth Survey 2014 – issued on 13 November 2013.

Benchmarks to monitor the raise of unemployment and inequalities

The Annual Growth Survey 2014 indicates that unemployment has reached unprecedented levels in the European Union. Despite the higher skills demand, participation in lifelong learning is declining, while inequalities are steadily growing. To tackle these challenges, SOLIDAR proposes to prioritise further measures to combat unemployment, improved access to healthcare and quality social services, greater access to and participation in lifelong learning, promote social economy, strengthen volunteering for social cohesion and fight discrimination.

Key facts in the **Annual Growth Survey 2014** and its annexed Draft Joint Employment Report¹, launched on 13 November 2013 include:

- Unemployment has reached unprecedented levels in the EU-28. Between 2008 and the second quarter of 2013 the unemployment rate in the EU-28 increased from 7.1% to 10.9%. There is a growing divergence between Member States particularly within the euro area.
- Long-term unemployment is still rising, due to the long duration of the crisis. At the end of the second quarter of 2013, long-term unemployment reached an all-time high of 12.5 million in the EU-28, which is 5% of the active population.
- Youth unemployment remains at a very high level. In September 2013 youth unemployment in the EU-28 stood above 23,5%, up by 0.4 percentage points from a year before.
- The proportion of young people not in employment, education or training (NEET) has continued to increase, mainly due to an increase in youth unemployment rather than in non-education linked inactivity.
- Net job destruction has been coinciding with an increase in precarious jobs even though the share of temporary contracts has fallen in the EU as they bore the brunt of the downturn.
- While on average statistics on inequalities are stable between 2008 and 2012 in the EU-27, there is a wide dispersion and growing divergence in inequality between Member States, Southern Member States being the most affected.
- The at-risk-of-poverty and social exclusion rate increased significantly by a worrying 8.7 million to 25.1% of the EU-28 population in 2012, with differences between Member States also growing. The proportion of the population at-risk-of-poverty or social exclusion has risen in particular in those Member States most hit by the economic crisis.

- The risk of poverty or social exclusion for children has risen since 2008 along with the worsened situation of their (mostly working-age) parents in more than 20 Member States.
- Women still face a higher risk of (persistent) poverty or exclusion than men due to care related periods of inactivity and part-time work.
- The crisis has also affected the structure of social protection spending. In some countries the level of spending stagnated or even declined in areas such as health, social exclusion, housing or family expenditure.
- In some Member States, access to healthcare became more difficult for low-income groups and people in vulnerable situations. This is due both to the effect of the crisis on incomes as well as to reductions in public health spending.

The Annual Growth Survey 2014 and its annexed Draft Joint Employment Report show a **staggering social crisis**. In order to tackle these challenges the Commission considers it crucial to stay on course with the policy response deployed in recent years. While maintaining the same medium term priorities as last year, however, the Commission is proposing to adapt their implementation to the changing economic and social circumstances described above.

The EU and its Member States should thus continue – and in some cases reinforce – their focus on making progress in the following five areas:

- Pursuing differentiated, growth-friendly fiscal consolidation
- Restoring lending to the economy
- Promoting growth and competitiveness for today and tomorrow
Tackling unemployment and the social consequences of the crisis
- Modernising public administration.

Within these areas the Annual Growth Survey 2014 intends to prioritise, amongst others, the following aspects:

- Protecting longer term **investment in education, research and innovation** and catering for the needs of the most vulnerable in our society.
- Further reform efforts to ensure that **wage developments are in line with productivity** and thus support both competitiveness and aggregate demand,

to remedy labour market segmentation, notably by **modernising employment protection** legislation, to support job creation in fast-growing sectors and to facilitate labour mobility.

- Pursuing the **modernisation of education and training systems**, including lifelong learning, vocational training and dual education schemes.
- **Improving the performance of social protection** systems, in particular by strengthening the link between social assistance and activation measures through **access to more personalised services**.

If not well understood, these priorities set by the Commission can become euphemisms to further deconstruct the welfare state and the European social model, lowering social standards instead of raising them.

In order to ensure suitable policies that do not undermine the goals of reducing unemployment, increasing participation in lifelong learning and decreasing inequalities, SOLIDAR stresses the need to strengthen the following key measures, which we will use as a benchmark to evaluate policy responses:

1. **Fighting unemployment** (and in particular youth unemployment) through the promotion of inclusive and quality employment and decent work as well as fair mobility.
2. Improving access to **healthcare and quality social services** for all as well as quality employment in the healthcare and social sector.
3. Promoting access to and participation in **lifelong learning**, with a particular focus on non-formal and informal learning.
4. Promoting, reinforcing and supporting **social economy**.
5. Strengthening **active citizenship** and volunteering for social cohesion.
6. **Fighting discrimination** and social exclusion.

Assessing Social Progress

In an overwhelming majority of EU Member States unemployment has increased in 2013 and youth unemployment in particular has reached alarming levels, exceeding 50% in Italy, Spain, Croatia and Greece. Inequalities between social groups' (and regions) in access to healthcare and quality social services remain long-standing challenges. Public expenditure on education has decreased as a consequence of austerity driven programmes, despite the widening gap between learning outcomes and labour market demands. Participation in lifelong learning is below the targets defined in the Europe 2020 strategy. Poverty and social exclusion are steadily increasing in the EU, mainly as a result of the labour market situation, high household debt levels and the limited effectiveness of the social protection system to respond to growing needs.

1. Fighting unemployment

Fighting unemployment remains one of the key challenges of EU Member States. Unemployment in the entire EU has grown and there are huge differences within and between the 28 Member States⁵, with the southern Member States showing staggering high youth unemployment rates.

Following the policy guidelines set out in the Country Specific Recommendations for 2013, Member States have introduced reforms to address employment and social challenges. In particular, a majority are currently drafting schemes and reforms to implement the **Youth Guarantee** Scheme and make it operation as of 2014. However further efforts still need to be undertaken.

Some alarming factors emerged in the EU Member States. For instance:

- In **Italy** youth unemployment is on the rise, (from 27.8% in 2010 to 36.9% in 2012Q4⁶) calling for a more ambitious effort. Various initiatives have been launched to support youth employability and for increasing labour market participation. Although relevant, these

actions are limited in scope and some gaps in implementation hamper their effectiveness. If properly deployed, the Youth Guarantee could prove helpful to combat youth unemployment.

- Unemployment in **Spain** is amongst the highest in the EU; long-term unemployment and youth unemployment (57.3% in 2013) are on the rise. A high proportion of unemployed people are without formal qualifications (35.2% in 2012) and the insufficient relevance of education and training to the labour market contribute to this high youth unemployment rate.
- In **France** although a number of measures for young jobseekers were taken in 2012, youth unemployment increased rapidly throughout the year, in particular amongst people with the lowest level of education. Youth unemployment reached 24.3% in 2012, in comparison with 22.8% of the previous year. A gap exists between the comparatively large proportion of young people pursuing their studies and those with the lowest level of education, whom unemployment has hit primarily. The government launched an initiative to offer 150.000 subsidised jobs to young people (the '*emplois d'avenir*'), mostly in the public sector and with a focus on the most deprived areas and the least qualified. France also intended to establish a youth guarantee scheme which was to be tested as of September 2013.
- **Bulgaria** suffers from a below-average and declining employment rate and high unemployment disparities across regions and population subgroups. The country experienced one of the sharpest drops in employment in the EU between 2008 and 2012, with the employment rate declining by more than 8 percentage points. The need to tackle the weak labour market participation of young people was identified in a 2012 Country Specific Recommendations for Bulgaria and highlighted as a general priority in the Annual Growth Survey. Under the national 'Employment for Youth' initiative, Bulgaria has committed itself to reduce the youth (15-24 years) unemployment rate to 23% and the rate of young NEETs to 19% by the end of 2013. Nevertheless, an integrated approach for youth policies

⁵ EU Employment and Social Situation Quarterly Report October 2013. Available at: http://europa.eu/rapid/press-release_IP-13-879_en.htm

⁶ Eurostat Unemployment Statistics. Available at: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics#Recent_developments_in_unemployment_at_a_European_and_Member_State_level

is still lacking, hampering the successful delivery of the Youth Guarantee. Given that almost one young person in four is neither involved in the labour market nor in the education system, the pool of NEETs is proposed as the main target group.

- **Austria** has the lowest unemployment rate in the EU (4.9% in 2013). However, while the employment rate of women (70.3%) is above EU average, there are far fewer women in full-time work (55.6% in 2011), and Austria has the third-highest gender pay gap in the EU. Moreover, the unemployment rate for people with a migrant background is more than twice as high as for EU nationals (9.7% vs. 3.6%). The Austrian approach to preventing poverty focuses on labour market integration, which has been enhanced for people at the margins of the labour market following the introduction of the Minimum Income Scheme. But it does not convincingly address the issues of quality of work, access to social services and inequalities in education.
- Like many other EU Member States **Denmark** was also affected by the crisis. The unemployment rate more than doubled from its record low of 3.4 % in 2008 to 7.5 % in 2012. However since 2010 it started to stabilise at 7.5 %. The unemployment rates for disadvantaged groups, such as people with migrant background, low skilled workers, long-term unemployed, people with reduced work capacity and older workers are higher than the EU average. Youth unemployment has also increased, although it remains well below the EU average. Long-term unemployment, as a proportion of total unemployment, more than doubled from 13.5 % in 2008 to 28% in 2012.
- In 2012 and early 2013, growth and employment in **Sweden** were strongly affected by the euro area sovereign-debt crisis and the global slowdown. Youth unemployment rose to 23.7% in 2012, above the EU average. The government has taken a number of measures to further integrate young people and people with a migrant background into the labour market, but unemployment in these groups remains high.
- From 2011 to 2013 the unemployment rate in the **Netherlands** increased

steadily (4.4 % in 2011 to 7% in 2013⁷). In view of the ambitious EU 2020 employment target of 80% and with a view to addressing future labour supply shortages, the Dutch authorities announced in their National Reforms Programme comprehensive labour market reforms in line with the 2012 country-specific recommendations. Most of the planned reforms have not yet been implemented.

- In **Croatia** the unemployment rate (for the 15-74 cohort) increased from 8.6% in 2008 to 15.9% in 2012 and around 65% of the unemployed had been out of a job for more than a year (43% in the EU). Women, young people and the elderly are particularly underrepresented in the labour market. In 2012, the employment rate for women, aged 20-64, was 50.2% compared to 60.6% of men.
- The **UK** has significant unemployment and underemployment, especially among young people. Unemployment stood at 7.8% at the start of 2013. Youth unemployment, at 20.7%, and the NEETS rate, 14%. Growth in private sector employment was surprisingly strong in the last year, given the weakness of GDP growth. Productivity and real wages have remained weak. Many people, especially young workers, are in precarious part-time or temporary jobs. Long term unemployment was 2.8% of the working-age population in 2012.
- Although in **Germany** the unemployment rate remains at a low level, still measures should be taken, in order to reduce unemployment in some *Länder*, which is above 10%. In the meantime the employment rate continues to show a negative trend and a strong reversal of the trends would be needed to reach the Europe 2020 headline target of 75% for men and women aged 20-64.

2. Improving access to quality social and healthcare services

The social and public service sector has been one of the most affected by the economic crisis in 2012 and 2013, as countries had to review their healthcare expenditure to respond to fiscal

⁷ Eurostat Unemployment Statistics. Available at: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics#Recent_developments_in_unemployment_at_a_European_and_Member_State_level

pressure. On the other hand, demographic changes and rising poverty and inequality show that there is a growing need for social services. Access to health and social services became difficult, particularly for people with low-income and vulnerable groups. This alarming trend has to be challenge immediately.

- In the **UK** long-term expenditure projections for healthcare indicate an expected increase in healthcare expenditure. In order to improve the quality of and access to healthcare, the government of the United Kingdom took action. Its current plans for health service reform (in NHS England) entail ambitious targets for efficiency gains that the government plans to attain via reductions in management and administration staff, encouraging greater involvement of the private sector and devolving budgets and decisions down to local areas.
- **Germany** has made only limited efforts to improve the efficiency of public spending on healthcare and long-term care. At 8.6% of GDP in 2010, the rate of public spending on healthcare in Germany is one of the highest in the EU and is likely to increase further due to demographic change and innovations in medical technology; this could potentially put a strain on public finances or result in an increasing contribution rate.
- In the view of the European Commission the **Austrian** approach to preventing poverty is too much focused on integrating people into the labour market while lacking a pro-active nation-wide and evidence based plan for improving access to social services.
- One objective concerning the labour market and the need to take further steps to enhance long term labour supply in **Denmark** is that as many people as possible should work in the ordinary job market. As a consequence all municipalities are now required to establish rehabilitation teams. The teams will ensure that people with complex problems receive support across the areas of employment, health, social services and education, with a focus on individual needs.
- According to the latest long-term projections, public healthcare spending in **Spain** will increase by 1.3 percentage points of GDP by 2060. Crisis-related

expenditure cuts have helped contain the growth in spending. Public healthcare expenditure decreased from 7.1% of GDP in 2010 to 6.7% in 2011. In 2010 and 2011 savings originated from cuts in the wage bill and pharmaceutical expenditure. In 2012, measures specifying the common basket of healthcare benefits and an extension of co-payments on pharmaceutical products were adopted.

- The **Bulgarian** healthcare system is not providing the right combination of services, as a result of inefficiencies in the allocation and use of resources. Although projections of public health spending due to population ageing do not point to a significant burden on public finances in the medium-to-long term, inequalities between social groups and regions as regards access to, and quality of, healthcare are long-standing challenges.
- The 2012 Sustainability Report⁸ forecasts the effect of the increase in public expenditure **in France** on healthcare which is higher than the EU average both in the medium and in the long run. This means that future public expenditure on healthcare will be an issue. Areas where efficiency could be further improved include pharmaceutical and administrative spending.
- In **Italy** the process of liberalisation of local public services has come to a halt. As highlighted by the Italian Competition Authority, local public services in Italy remain, to a large extent, sheltered from competition, as they are managed through direct concession without public tendering. This contributes to fragmentation and inefficiencies in supply.
- The **Swedish** government's social policy is sharply focused on reducing social exclusion through labour market integration. For the approximately two million retired people for whom this is not always an effective or realistic method of reducing the risk of poverty, in addition to the abovementioned tax cuts, a system of housing allowances is in place, which is however not fully exploited because of a lack of awareness among the target groups. It should also be noted that Swedish pensioners have access to subsidised social services, which may to

⁸ EU Country Specific Recommendation. Available at: http://ec.europa.eu/europe2020/pdf/nd/swd2013_france_en.pdf

some extent compensate for this group's lower income. Moreover, although the group has relatively low income levels, wealth aspects must also be considered when assessing the global situation of individual households.

- There is a risk in the **Netherlands** that the high quality standards of public service provision will not be maintained and it could lead to an increase in expenditure on temporary workers. As part of a net expenditure savings effort, the government is also planning to decentralise a large number of competences to municipalities, ranging from youth services to long-term health care. Whether these efficiency gains can be fully realised is very questionable, especially within the timeframes envisaged.

3. Promoting access and participation in lifelong learning

Education and training are a source of future growth and employment. Good access and participation in lifelong learning reduce the inequalities in societies, especially for those who are far from education, have a weak income position, young adults not in employment, education or training (NEETs), those who dropped out of school and people at risk of skills deterioration, allowing them to explore and extend their potential. It is also mentioned as a top priority in the Europe 2020 Strategy.

- In **Spain** there is a need to reinforce the contribution of the education and training system at all levels to human capital formation. Major challenges in the education system are the transition from education and training to the labour market, a persistently high rate of early leavers from education and training (24.9% in 2012) and insufficient tailoring of skills and capabilities to market needs. Some 29% of 25-29 year-olds in Spain are not in employment, education or training, and vocational training remains insufficiently used.
- **Italy's** weak human capital endowment hinders innovation and young graduates face a difficult labour market. Public expenditure on education as a share of GDP in Italy is among the lowest in the EU, notably at tertiary level. With a rate of 17.6% in 2012, Italy performs significantly worse than the EU average in terms of early school leaving, especially in the

southern regions, which translates into a lack of basic skills. In addition, Italy registers the lowest tertiary education attainment rate in the EU for the 30-34-year-old age group and adult participation in lifelong learning is below the EU average. There is also evidence of a difficult transition from education to the labour market, including for high-skilled young people, which is compounded by the effects of the economic crisis: in 2012, almost one in five young tertiary education graduates were unemployed.

- **Bulgaria** is still experiencing impediments, such as limited opportunities and training badly adapted to the needs of the various target groups, lack of support systems and insufficient flexibility between the different learning solutions (e.g. between vocational education and training and higher education). The problems are further aggravated by the fact that the majority of the potential trainees have a lower socio-economic and educational status. The Bulgarian education and training systems are not adapted to labour market needs. Bulgaria has the EU's highest share of low achievers in reading, mathematics and science, and overall investment in education and training – particularly in primary, secondary and early childhood education – is well below the EU average, while the use of childcare is particularly low for those under three years old (covering only 7% of children in 2011), and is decreasing. Lifelong learning remains a challenge in Bulgaria, especially for adults, whose participation in lifelong learning (1.5% in 2012) is the second-lowest in the EU.
- In the view of the European Commission, the **Austrian** education system needs to improve performance in order to mitigate demographic trends and the trend towards a more skills-intensive economy⁹. Education outcomes as measured by PIRLS, TIMSS and PISA tests are below average both among 10 and 15 year olds, even though Austria's investment in education and training for primary and secondary schools is slightly above the EU average. More than one out of four young people aged 15 have poor reading skills, and results are only slightly better in mathematics. These young people face

⁹ Education and training monitor 2013 – Austria. Available at: http://ec.europa.eu/education/documents/eatm/monitor2013-at_en.pdf

difficulties in accessing initial vocational education and training, which is crucial for later access to the labour market.

- In **Germany** adult participation in lifelong learning increased 0.1% and reached 7.9% in 2012, while the EU average is 9.3%. In terms of investment in education and training general government expenditure there has declined slightly. General government expenditure in education and training fell from 4.4% in 2009 to 4.3% in 2012.
- In **Denmark** lifelong learning is deeply rooted in the Danish tradition and culture. Denmark is one of the EU leaders in adult participation in lifelong learning with a rate of 31.6% in 2012 against an EU average of 9%. More women participate in lifelong learning (37.8%) than men (25.4%), but there is no significant difference between native born (31.6%) and foreign-born (31.5%) citizens. While the great majority of learning activities in adult education in the EU are of a non-formal nature, this is less the case in Denmark, where almost 6% of adults report having participated in formal learning during the last twelve months (EU 2.4%). Access to enterprise-provided vocational training is high, with 85% of enterprises reporting to have offered such courses (EU 66%). Nevertheless, the majority of learning happens outside companies: more than three times as many adults report having participated in "other job-related learning activities" than in activities sponsored by enterprises.
- **France's** education system has been unable to reduce an early school leaving rate of around 12% over the last six years. Participation in lifelong learning remains very low and no progress has been recorded in the last ten years. At 5.7%, the 2012 participation figure for France was clearly below the 9% EU average. Furthermore, the ability of the multiple schemes and instruments to adequately target those who most need training has been called into question. The initial education system also has a critical role to play in providing all young people with sufficient skills. Worryingly, the gap in the level of education at age 15 between the best students and the worst performers widened more rapidly between 2000 and 2009 and appears wider in France than in most other OECD countries.
- In the **Netherlands** adult participation in lifelong learning (LLL) reached 16.7% in 2012, surpassing the 15% benchmark set out in Europe 2020. While a number of initiatives have been undertaken to encourage training, a formal comprehensive framework for LLL allowing for the possibility to use funds for LLL for both intra- and inter-sectoral schooling could further increase the efficiency of the system.
- General government expenditure on education and training in the **UK** is 6.5% of GDP, while the percentage of adults participating in lifelong learning shows a negative trend. In 2012 adult participation in lifelong learning in the UK fell to 15.8%.
- In **Sweden** adult participation in lifelong learning is high (26.6%). However, general government expenditure on education and training has declined in recent years from 7.2% of the GDP to 6.8%.
- In **Croatia** education and training at all levels show evident skills gaps compared to labour market needs, which hampers significantly the transition of young people from school to work. Combined with future demographic trends these weaknesses threaten to undermine competitiveness as well as necessary productivity gains. The low participation in lifelong learning provides fewer opportunities for engaging in learning, but often results from a lack of demand of learners. Different occupational and age sub-groups perceive the need for training differently and this emphasises the importance of a planned and tailored policy approach to up-skilling in order to avoid skills mismatch and under-utilisation.

4. Fighting discrimination and social exclusion

Poverty and social exclusion are steadily increasing in the EU, mainly as a result of the labour market situation, high household debt levels and the limited effectiveness of the social protection system to respond to growing needs.

Member States which are more affected by the financial crisis are more likely to be affected by

discrimination and social exclusion. The struggle against poverty in general and discrimination in particular becomes a tough challenge.

- **Sweden:** the employment rate of non-EU immigrants (44.2%) remains far below the EU average (53.7%), and even further below the Swedish national average. This shows that a large part of the population with a migrant background, and especially women, are excluded from the labour market. The at-risk-of-poverty rate among older women (aged 65+) measured as the share of the group with an income below 60% of the national median income, is above the EU average and increased by more than 10 percentage points between 2005 and 2011, from 13.1% to 24.7%. This contrasts with the corresponding rate for older men (9.8%) and the EU average (13.7%).
- Although the **Netherlands** has traditionally performed well on social inclusion, some worrying trends are rising. The number of people in low-work-intensity households has increased by 75,000 since 2008, while the Europe 2020 target for reducing the number of people living in a low-work intensity household was set at 93,000. Rising unemployment rates could heighten the risk of poverty as more people become dependent on benefits. This increase in poverty particularly affects single parents, single people, those with a migrant background, the self-employed, and households living on benefits other than pensions.
- At 17.3%, the proportion of **UK** children living in workless households is the second-highest in the EU, which has a significant impact on child poverty. A lack of access to suitable, affordable childcare still discourages many parents from working, or from increasing the number of hours they work. The UK's Social Justice Strategy emphasises a more multi-dimensional approach to measuring and tackling child poverty, with more focus on enabling services and prevention.
- The social situation in **Croatia** has been severely impacted by the protracted recession. High unemployment and low labour-market participation increased the share of population at risk of poverty and social exclusion to 32.7% in 2011, significantly more than the 24.2% average for the EU. Older women are particularly vulnerable as 38.4% of women aged 65

or above were at risk of poverty or social exclusion in 2011 (compared with 27.6% of men of the same age); the figure rises to 43.2% for women aged 75 or above (28.4% for men).

- In **Austria**, gender segmentation is very high as testified by the concentration of women in marginal and low-wage employment, the third highest gender pay gap in the EU and an old-age poverty risk for women that is above the EU average. The at-risk-of-poverty and social exclusion rate increased significantly, with differences between Member States also growing. In particular, the risk of poverty or social exclusion for children has risen since 2008. Single parent households notably face a risk of poverty and social exclusion (EU-28: 47.7% in 2012), which is more than twice as high as for families with two adults (24.4%).
- In the last few years, in-work poverty has risen in **Germany**, which also increases the risk of old-age poverty rising in the future.
- In **Bulgaria** comprehensive measures to improve youth employment and fight poverty and social exclusion are lacking. The strategy for reducing poverty is in the early stages of implementation; an assessment is not feasible at this stage. The National Roma Integration Strategy lacks an appropriate budget and an action plan. Although the authorities have, for several years, pursued a welfare adjustment policy focused on increasing the lowest pensions, the elderly still face high income-poverty and social-exclusion risks.
- The indicators tracking the risk of poverty and social inclusion in **Denmark** have increased, especially for people in disadvantaged groups, such as those with a migrant background. In addition, the share of people living at risk of poverty and in low work-intensity households increased markedly between 2008 and by 2.6% and 3.1% respectively.
- The crisis and rising unemployment in **France** have led to the deterioration of several indicators, such as the monetary poverty rate (14%, the highest level since 2000), in-work poverty (7.6% in 2011 compared with 6.1% in 2006) or the poverty rate of the unemployed (36.7%, plus 3.6 percentage points since 2010),

whereas income inequality is at its highest level in 10 years.

- In **Italy** social cohesion is being undermined as a consequence of the economic crisis and the risk of poverty and social exclusion is markedly on the rise. Italy took action to support vulnerable groups, in a context where protracted recession is putting increasing pressure on social cohesion. Between 2008 and 2011, the risk of poverty or social exclusion rose by around 3 percentage points, to almost 30%, and the increase was particularly pronounced between 2010 and 2011. In addition, the risk of slipping into poverty is also high.
- **Spain** has moved further away from its target of reducing the number of people at risk of poverty and/or social exclusion. On the contrary, the latter rose by 0.7 million in 2011 alone, on top of the 1.1 million increase in 2010. Meanwhile, the social protection system has been intensely challenged by the recession. Poverty and social exclusion keep increasing, mainly as a result of the labour market situation, high household debt levels and the limited effectiveness of the social protection system to respond to growing needs.

No progress has been made towards meeting the target of reducing the number of people at risk of poverty and social exclusion by 1.4-1.5 million by 2020. Severe material deprivation affected 3.9 % of the total population in 2011, while the at-risk-of-poverty rate rose to 21.8% and the at –risk-of-poverty-and-social-exclusion to 27%.

Please note that due to lack of available data, the following benchmarks could not be taken into account: Promoting social economy and strengthening active citizenship and volunteering for social cohesion.

Sources:

- EU Annual Growth Survey 2014. Available at: http://ec.europa.eu/europe2020/pdf/2014/ags2014_en.pdf
- EU Country Specific Recommendation 2013. Available at: http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm
- EU Employment and Social Situation Quarterly Report October 2013. Available at: http://europa.eu/rapid/press-release_IP-13-879_en.htm
- EU Draft Joint Employment Report 2014. Available at: http://ec.europa.eu/europe2020/pdf/2014/jer2014_en.pdf
- EU Education and Training Monitor 2013. Available at: http://ec.europa.eu/education/lifelong-learning-policy/progress_en.htm#countryreports

European Semester 2014: Ensure Social Progress

In defining and implementing its policies and activities, the EU has to take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, the promotion of access to education and participation in lifelong learning and protection of human health.

In the framework of the European Semester, employment and social developments (the so called “social dimension”) should be given due attention in order to make tangible steps towards realising social cohesion as well as preventing increasing disparities and long-term exclusion, in line with the objectives of the Europe 2020 Strategy.

For SOLIDAR, in order to achieve those objectives, progress should be made on the following fronts:

- **Further strengthening the social dimension of the European Semester.**
Strengthening active inclusion and social cohesion by raising social standards in all Member States should be the priority of the EU because economic growth alone does not help reduce social inequalities. SOLIDAR welcomes the introduction of a social scoreboard of key employment and social indicators which represents an acknowledgment of the need to reinforce the social dimension of the Economic and Monetary Union. However, in light of the recent negative social and employment developments in Europe (rising long-term unemployment, increasing poverty and inequalities as well as increasing divergences between countries) SOLIDAR calls for putting more emphasis on the social policy priorities of the Europe 2020 Strategy, for instance by using the scoreboard not only as an analytical tool but also as a basis for developing tangible indications for Member States on how to fight or prevent unemployment, reduce social inequalities and promote active inclusion to feed into the design and implementation of the Country Specific Recommendations 2014 within the European Semester process.
- **Fighting unemployment (and in particular youth unemployment) through the promotion of inclusive and quality employment as well as fair mobility.**
In order to guarantee inclusive growth in

Europe, we call for the promotion in the European Semester process – and in particular in the Country Specific Recommendations – of initiatives aimed at providing inclusive labour market opportunities to vulnerable groups, in particular young people who are not in employment, education and training (NEETs) and migrants. As in our view the realisation of an inclusive and cohesive society goes beyond a workfare approach, we believe that lifelong learning opportunities including non-formal and informal learning should be part of employment policy strategies - for instance by integrating lifelong learning as a crucial component of active labour market policies.

- **Improving access to healthcare and quality social services for all as well as quality employment in the healthcare and social sector.**
We promote the idea of ensuring universal access to social services as a pre-requisite to combating poverty and achieving equality. Due attention must be given to access to quality services. Furthermore, we believe quality healthcare and social services are inextricably linked to decent work and quality employment. We support the creation of sustainable quality employment and decent work conditions that would also have the effect of attracting people to the sector and thus better exploit its employment potential.
- **Promoting access to and participation in lifelong learning, with a particular focus on non-formal and informal learning.**
To reduce inequalities and support the well-being of society, we promote the idea of making lifelong learning a reality for all, encouraging participation in lifelong learning, especially for those who are far from education, have a weak income position, young adults not in employment, education and training (NEETs), early school leavers, and people at the risk of skills deterioration. Moreover we call on European Institutions and Member States to work on the recognition and validation of learning outcomes of non-formal and informal learning in order to bridge the gap between labour market needs and available qualifications.

- **Promoting, reinforcing and supporting social economy.**

We call for the full recognition and promotion of social economy as an alternative economic model based on the values of co-operation, inclusivity, trust, democratic legitimacy, equality and reinvestment of benefits which supports the creation of sustainable, inclusive and quality jobs as well as improving availability and quality of social services. We call on the European Institutions and Member States involved in the European Semester process to support the development of social enterprises, which are on the front line of making tangible steps towards fighting poverty and social exclusion and empowering people to create more social cohesion.

- **Strengthening active citizenship and volunteering for social cohesion.**

SOLIDAR believes that people's empowerment and social engagement such as volunteering are crucial aspects of the creation of a more cohesive society in which every individual can fully participate in realising her/his own potential and contributing to the well-being of their communities. An open and inclusive society, providing room for all to participate in decisions, is necessary to strengthen social cohesion as well as advance the values of solidarity, social justice and social responsibilities. The work of civil society organisations active in promoting people's engagement and participation in society have a direct impact on the realisation of a more cohesive and equal society. Thus, also in the context of the social dimension of the Economic and Monetary Union, their contribution should be taken into account.

- **Fighting discrimination and social exclusion**

Promote a rights-based approach to remove obstacles for vulnerable, excluded and marginalised people to access their rights as well as to receive equal opportunities and equal treatment. Fighting discrimination in access to jobs or to society based on social origin, gender, age and disability is a crucial aspect to be taken into account when developing policy strategies to eradicate poverty and decrease social exclusion in order to create inclusive and equal societies.

Explained: SOLIDAR Social Progress Watch Initiative

SOLIDAR announces the launches of its Social Progress Watch initiative, a monitoring tool to evaluate progress made towards a more social Europe within the framework of the European Semester. The initiative will be carried out in 11 EU Member States and provide evidence-based recommendations to the European Institutions and Member States involved in the European Semester on how to fight unemployment and create more equal and inclusive societies.

Several Country Specific Recommendations defined within the framework of the European Semester have a direct influence on national policy making in the social, employment and education fields, in some cases with unforeseen negative consequences on social conditions.

Against this background, SOLIDAR developed the Social Progress Watch, which is a monitoring tool to evaluate the implementation by Member States of the Country Specific Recommendations of the European Semester as well as the effectiveness of national policy strategies developed in the social, employment and education sectors in contributing to promote active inclusion, reduce poverty and inequality, fight unemployment and tackle demographic challenges.

Taking as references the EU Active Inclusion Strategy, the Social Investment Package, the Annual Growth Survey 2014 and the annexed Joint Employment Report as well as the staff working documents of the Country Specific Recommendations 2013, our monitoring tool is based on **six benchmarks** corresponding to the recommendations mentioned above:

1. **Fighting unemployment** (and in particular youth unemployment) through the promotion of inclusive and quality employment as well as fair mobility.
2. Improving access to **healthcare and quality social services** for all as well as quality employment in the healthcare and social sector.
3. Promoting access and participation in **lifelong learning**, with a particular focus on non-formal and informal learning.
4. Promoting, reinforcing and support **social economy**
5. Strengthening **active citizenship** and volunteering for social cohesion
6. **Fighting discrimination** and social exclusion

The SOLIDAR Social Progress Watch Initiative will be carried out in a first phase in 11 EU Member States, namely: Austria, Bulgaria, Croatia, Denmark, France, Germany, Italy, Spain, Sweden, the Netherlands and the United Kingdom. The initiative, developed together with our national members and partners, will start from the evaluation of the implementation of the Country Specific Recommendations 2013 and will continue providing evidence-based recommendations and assessments on employment, education and social policies to the European Institutions and Member States involved in the design of the policy coordination process of the European Semester 2014.

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SOLIDAR is a European network of 60 NGOs working to advance social justice in Europe and worldwide. SOLIDAR voices the concerns of its member organisations to the EU and international institutions across the policy sectors social affairs, international cooperation and lifelong learning.

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