Social Investment in Europe

A study of national policies

2015

Denis Bouget, Hugh Frazer, Eric Marlier, Sebastiano Sabato
and Bart Vanhercke
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Contact: Valdis ZAGORSKIS

E-mail: Valdis.ZAGORSKIS@ec.europa.eu

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B-1049 Brussels

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PREFACE

On 20th February 2013, the European Commission adopted its "Social Investment Package" (SIP).[1] The SIP sets out a strong case for the contribution that well-designed social policies can make to economic growth as well as to protecting people from poverty and acting as economic stabilisers. It stresses that welfare systems fulfil three functions: social investment, social protection and stabilisation of the economy. Indeed, the social investment approach strongly relies on the assumption that social and economic policies are mutually reinforcing and that the former, when framed in a social investment perspective, does represent a "precondition" for future economic and employment growth[2]. Social investment involves strengthening people's current and future capacities. In other words, as well as having immediate effects, social policies also have lasting impacts by offering economic and social returns over time, notably in terms of employment prospects or labour incomes. In particular, social investment helps to "prepare" people to confront life's risks, rather than simply "repairing" the consequences. Social investment, as outlined in the SIP, is thus the set of policy measures and instruments that consist of investments in human capital and enhancement of people's capacity to participate in social and economic life and in the labour market.

The SIP highlights preventative social policy measures that can stop disadvantage from compounding, such as policies to facilitate early childhood development. The policy areas considered under social investment include *inter alia* early childhood education and care (ECEC), active labour market policies (in particular, training and job-search assistance), education, retraining and lifelong education, healthcare, social services, housing support, rehabilitation and healthcare and long-term care services. The SIP also stresses that a key element in a social investment approach is to address disadvantage and key social challenges in a more integrated way through a combination of policies so that they are complementary and mutually reinforcing.

The EU approach to social investment is largely consistent with the scientific debate on social investment[3] but the EU puts more emphasis on additional dimensions, such as raising efficiency and effectiveness (of social policies), whilst addressing key demographic and societal changes[4]. As it emerges from the literature, the social investment approach rests on policies to raise the human capital *stock* (through early childhood education and care, vocational training, education and lifelong learning) and *flows* (through policies supporting female and single-parent employment, active labour market policy and other activation policies, as well as policies aimed at facilitating access to the labour market across the life course)[5]. In addition, the availability of well-designed macro-economic stabilisation *buffers* protecting people during risky transitions (such as adequate and activating unemployment schemes and minimum income support schemes) should be considered as a constituent element of the social investment approach[6]. Importantly, those policies should be *integrated*: to be fully effective, social investment strategies should be thought of as a "package" of policy

[1] Commission Communication on "Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020". Available at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0083:FIN:EN:PDF.

[2] See Morel, N., Palier, B. and Palme, J. (2012), "Beyond the welfare state as we knew it?", in Morel, N., Palier, B. and Palme, J. (eds.), *Towards a Social Investment Welfare State? Ideas, Policies and Challenges*, Bristol: The Policy Press, pp. 1-30.

[3] A more detailed exposition of the "Social Investment" *paradigm* and *strategies* is set out in Annex A5.

[4] More efficient and effective policies are seen as crucial to ensuring the adequacy and sustainability of budgets for social policies and for the government and private sector as a whole.

[5] Hemerijck, A. and Vandenbroucke, A. (2012), "Social Investment and the Euro crisis: the necessity of a unifying social policy concept", *Intereconomics*, 4:12, pp. 200-206.

[6] We would like to thank Anton Hemerijck for suggesting the expression "buffers".

measures to be implemented in a consistent and coherent manner[7]. On the one hand, policy interventions should be conceived in a *life course perspective*, i.e. they should represent a continuum of measures accompanying people throughout the key stages of their lives: childhood, working-age and parenthood, and old age.[8] On the other hand, measures related to the various policy areas should be *complementary and mutually reinforcing*. In other words, the development of institutional complementarities is a necessary condition for the implementation of successful social investment strategies. In particular, the availability of quality and enabling social services has a key role to play in ensuring the integration of policy measures.

The SIP provides a basis for putting social issues at the heart of the Europe 2020 Strategy: it aims to provide guidance to help reach the Europe 2020 targets by establishing a link between social policies, the reforms as recommended in the European semester to reach the Europe 2020 targets and the relevant EU funds.

In this context, members of the European Social Policy Network (ESPN; see presentation of the Network in Annex A1) were asked to prepare country reports which could assist the Commission and ESPN participating countries by feeding into the implementation of the SIP and informing its monitoring, in particular in the context of the European Semester and the Social Open Method of Coordination (OMC). In their reports, the experts were asked to look at the overall approach to social investment in their countries and then to focus on three key questions:

- To what extent do the country's social policies facilitate early childhood development?
- To what extent do the country's social policies support the participation of parents, especially women, in the labour market?
- To what extent does the country provide adequate, activating and enabling support to those experiencing social and labour market exclusion?

It is important to note that in focusing on these three areas, the country reports and this Synthesis Report have, necessarily, not been able to provide a fully comprehensive picture of the extent or otherwise of countries' social investment policies. In particular, the crucial area of education has not been covered in any detail except in relation to early childhood.

This Synthesis Report was prepared by Denis Bouget, Hugh Frazer, Eric Marlier, Sebastiano Sabato and Bart Vanhercke[9] on the basis of the country reports written by each of the 35 ESPN country teams of independent experts (for a presentation of the ESPN Network Core Team and the 35 ESPN country teams, see Annex A1). It benefited a lot from very helpful comments and suggestions provided by ESPN experts (including Frank Vandenbroucke, member of the ESPN Network Core Team), colleagues from the European Commission's Social Policies Directorate and Anton Hemerijck. These persons should not, however, be held responsible in any way for the contents of this report.

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[7] See Vandenbroucke, F., Hemerijck, A. and Palier, B. (2011), "The EU Needs a Social Investment Pact", *OSE Paper Series*, Opinion paper 5, Brussels: European Social Observatory. See also Hemerijck (2013), *Changing Welfare States*, Oxford: OUP.

[8] Jon Kvist argues that to take full advantage of social investments, the SIP needs a more coherent framework that takes into account the dynamic and multidimensional nature of social issues and social investments. He suggests that such a framework should consist of generational, life course and gender perspectives on social investments. See Kvist, J., "A framework for social investment strategies: Integrating generational, life course and gender perspectives in the EU social investment strategy", Comparative European Politics, Vol. 13, No. 1, pp. 131-149, 10.1057/cep.2014.45 (available online).

[9] Denis Bouget, Sebastiano Sabato and Bart Vanhercke are from the European Social Observatory (OSE, Belgium). Hugh Frazer is from Maynooth University (Ireland). Eric Marlier is from the Luxembourg Institute of Socio-Economic Research (LISER).

In producing a Synthesis Report, it is only possible to illustrate points made with a limited number of examples. However, where we find that a similar point is made by other experts we indicate this in a bracket listing the relevant countries and readers can go to the individual country reports for more information. In producing their reports, experts cite many different sources and reports in support of their analysis. References to these have not been included in the main text of the Synthesis Report. Readers wishing to follow up the original sources are again invited to go to the individual experts' reports.

We have also included a selection of indicators that were sent to all experts to assist them in drafting their reports (Annex A3) and a number of radar charts (Annex A4). One of the inherent difficulties in preparing a Synthesis Report on the basis of country studies is the disparity between them in terms of the weight that experts attach to policy discourse versus the weight they attach to policy outcomes. We hope that this set of statistics which is as comprehensive and uniform as possible provides a useful counterbalance. We are very grateful to Jonathan Bradshaw, ESPN's UK National Coordinator, for preparing Annex A3.

1. ASSESSMENT OF OVERALL APPROACH TO SOCIAL INVESTMENT

1.1. Overall extent

In their reports, experts assessed the overall extent to which there is a social investment approach to tackling key social challenges and to the development of national social policies in their countries. It is clear from their reports that, while most countries have some elements of a social investment approach, the extent to which this is the case varies very widely. When assessing the main policy-making trends in countries in relation to social investment on the basis of the ESPN experts' reports, three broad clusters of countries can be identified (though the line between the clusters is not a sharp one). The first cluster includes countries with an already well-established social investment approach, which maintain this approach and continue to foster good institutional linkages between different policy areas. The second cluster contains those countries which show some increasing awareness of social investment and begin to apply a social investment approach in a few specific policy areas but still lack an overall social investment approach. The third cluster involves those countries where a social investment approach has not so far made many significant inroads in the policy making process.

There are some 13 countries (AT, BE, CH, DE, DK, FI, FR, IS, LI, NL, NO, SE, SI)[10] which are maintaining an (often historically) well-established social investment approach to many social policies. These countries also tend to preserve and further develop good institutional linkages between different policy areas, especially when they are addressing key social challenges. However, many experts comment that while such an approach is evident there is often no explicit reference made to "social investment" in national policy strategies. For instance:

- in Austria, overall the Federal Government (at least implicitly) shows a rather strong commitment to the idea of "social investment" and this commitment has been rising recently. However, in a number of policy areas Austria is in a rather unfavourable "starting position" due to the historical legacy of the "male-breadwinner" model, which in different areas has led to a rather "familialised" social system (especially regarding early childhood education and care [ECEC], childcare and long-term care);
- in Belgium, an overview of the statistical indicators shows that the country is performing relatively well regarding social investment. However, this hides

[10] For the list of countries' official abbreviations, see Annex A2.

important disparities both in access to some services (such as ECEC) and between the different regions;
- in Germany, the social investment approach corresponds to a paradigm shift, which was implemented in labour market policies starting with the so-called Hartz reforms between 2003 and 2005 and to a paradigm shift in family policy during the last decade;
- in Denmark, there has for long been an extensive approach to social investment without ever calling this a "social investment strategy". This also applies to Iceland and Norway. In particular, policies have been directed at increasing employment and equalising the life chances of socio-economic groups, including children from disadvantaged family backgrounds;
- in Finland, social investment begins already before the birth of the child: free maternity and child health clinics, free maternity packages, free or heavily subsidised day care services, free meals from kindergartens to colleges and free education from pre-primary schools to universities. Consequently, the family background plays a smaller role for learning results than in many other European countries;
- in France, although the term social investment was not referred to by the government, the multiplication of prevention structures in the second half of the 20th century largely sprang from this rationale, as shown, for example, by occupational medicine, school medicine, the mother and child health programme, child welfare and the juvenile protection service;[11]
- Liechtenstein does not have a specific "social investment policy agenda" but many ideas of the European Commission's Social Investment Package are reflected in the government's national strategy. Overall, the Government shows a rising commitment to the idea of "social investment" (e. g. enlargement/ flexible structures of childcare facilities, measures aimed at enabling women to re-enter the job market after childcare time). However, the historical legacy of the "male-breadwinner" model has led to a rather "familialised" social system;
- in Slovenia, a social investment approach to tackling key social challenges and to the development of national social policies is evident from various policy documents related to children, youth and families , and social and labour market inclusion, as well as from the respective regulations. There is a relatively high degree of complementarity and interaction between policies and measures (for example, the regulation of early childhood education and care has an impact on child development, parents' employment and the risk of poverty);
- Sweden has a long tradition of a comprehensive approach to social investment including high coverage childcare, near universal secondary education, extensive educational opportunities for adults, high expenditures on active labour market policies with strong emphasis on training and skills also including older workers though there has been a long term decline of the number of participants in upskilling and direct job creation, even if there is some increase after 2009 and a long-term increase in employment subsidies/assistance.

There are nine countries in the second cluster (CY, ES, HU, IE, LU, MT, PL, PT, UK) which, while still to develop an explicit or predominant social investment approach, show some increasing awareness of social investment and have begun to apply elements of a social investment approach in a few specific policy areas. At present, these elements tend to be developed somewhat in isolation but they could provide the basis for implementing more effective policy linkages across different policy areas and across the life course in the future. For instance:

- in Spain, the use of the basic concepts of the social investment model in the design and implementation of social policies is still quite weak. Socio-political

[11] A recent report on social investment has been debated at the national level by the Economic, Social and Environmental Council: Bruno Palier, "La stratégie d'investissement social", February 2014. Available at: www.lecese.fr.

actors have not included those concepts in their programmes and agendas, and policy debates do not explicitly refer to this paradigm. Nevertheless, certain policies developed in recent years such as the Educa3 programme and the 2006 Long-Term Care Act internalised (in a more or less implicit manner) a logic of social investment;
- in Hungary, social investment is not a central theme in most social policy. However, some policies can be said to focus on social investment (e.g. focus on child poverty and early intervention);
- Ireland has elements of a social investment approach and is moving further in this direction in that more recent reforms have greater social investment resonance as compared with earlier ones. However, other policies are not characteristic of social investment, especially the general cutback of services, and so social investment has to compete with other (and in some cases contradictory) policy orientations;
- in Malta, social investment is not a specifically explicit central theme in social policy but it is very strongly latent. The redistributive mechanisms of Maltese social policy, taken as a whole, aim to build human and social capital so as to ease individuals from their current situations, at various stages of their life-cycle, and to improve their chances of less stressful situations later on in life;
- Poland does not have a separate social investment policy agenda but many ideas of the European Commission's Social Investment Package are reflected in the medium-term strategic documents adopted by the government in 2013 such as the Human Capital Development Strategy 2020. This aims to develop human capital and help people to achieve their full potential so that they can fully participate in the social, political and economic life at all stages of the life course.

Finally, there are thirteen countries in the third cluster (BG, CZ, EE, EL, HR, IT, LT, LV, MK, RO, RS, SK, TR) where a social investment approach has not so far made many significant inroads into the overall policy agenda though some seem to have started moving slightly in a social investment direction in a few policy areas (e.g. EE, HR, LT, LV, RO). For instance:

- in Croatia, social policy is not based on a coherent social investment approach, either at national, regional or local levels. Social policies remain largely passive, although the issue of "active inclusion" as promoted by the 2008 European Commission Recommendation (i.e. an integrated approach combining active labour market policies (ALMPs), adequate minimum income and access to quality services) has received greater attention in recent years and there has been a significant increase in the range, type, coverage and expenditure on Active Labour Market Programmes;
- in Estonia, while recent developments have more of a social investment focus, the overall structure of social expenditure indicates that Estonia still spends relatively little on health services, in-kind family benefits, active labour market policies and social exclusion. Estonia spends relatively more on cash benefits for families with children and disabled people;
- in Italy, improvements towards a social investment approach were found in schemes related to unemployment benefits, but serious deficiencies characterised other policy areas and a minimum income scheme is yet to be introduced throughout the national territory. As a result, a clear social investment strategy is lacking and Italy does not incorporate the protection of the rights of the people experiencing poverty and social exclusion into its policy pillars;
- in Latvia, even though social investment is not a central theme in social policy the policy priorities since 2009 are clearly oriented towards the support of early childhood and family policy;
- in Lithuania, social investment is not a central theme in social policy though there are some signs of a movement towards more investment in human and

social capital. For instance, the priorities for the 2014-2020 financing period include the improvement of child and family services;

- in the Former Yugoslav Republic of Macedonia, social investment is very limited. What prevails on the political agenda are policies and measures for attracting foreign direct investments as a main tool for tackling the country's high unemployment and poverty rates. Also, there has been an increase in the number of benefits targeted at families, but their introduction was part of the policy aimed at boosting population growth rather than supporting parents' participation in the labour market;
- in Romania, the political intentions of the current government suggest a change in the social policy course, towards a more supportive, integrated social assistance system, centred on increasing access to all social services for all categories of people most at risk (i.e. people in low work intensity households, rural population, the Roma, unemployed people aged 45 years and older, children in poor families) and quality of services. This is reflected in the national strategies recently adopted or launched for debates (on social inclusion, health, child protection, active aging and Roma inclusion);
- in Turkey, social investment is not at the centre of social policy discussions. Although effort is put to implement active labour market policies and to extend compulsory education to pre-primary schooling, achievements have been rather limited thus far.

The four policy areas where elements of a social investment approach are most often highlighted by experts are: a) childcare, early childhood health and development, and child poverty strategies (most experts highlight this area with a few exceptions which include for instance ES, PT, RO, SK); b) active labour market policies, support for parental labour market participation and youth unemployment (e.g. AT, BE, CZ, DE, DK, EE, FI, FR, HR, HU, IE, IS, LU, LV, NL, SE, SI, SK, TR); c) education and lifelong learning (e.g. FI, FR, MT, PL); and d) income support (e.g. AT, CY, LU, MT).

1.2. Interactions between policy areas

The Social Investment Package (SIP) emphasises that "individualised and integrated services and benefits (e.g. provided through one-stop-shops) can enhance the effectiveness of social policies. Simplifying procedures can help people in need to access benefits and services more easily, also avoiding overlapping schemes and costs". It also highlights that those people who are disproportionally affected by unemployment, poverty, bad housing and poor health conditions and discrimination "require policies that target their needs and offer integrated support". The experts' analyses suggest that an overall integrated approach to social investment across a broad range of policy areas is not very evident in many countries. However, some experts do highlight positive steps that are being taken to enhance an integrated approach in some areas. For instance, in Belgium, in order to coordinate policies relating to the fight against poverty and social exclusion at different levels, the (permanent) Interministerial Conference on Integration into Society, which brings together all policy levels, was intensified in 2011 by creating five thematic working groups and the permanent working group on poverty, which has to ensure the coordination of the policy between the federal level and the federated entities. In Romania the new draft strategy on social inclusion changes the approach, by strongly promoting the development of social assistance services, and especially of integrated, community based services, in order to ensure a liaison between individuals'/families' needs and existing services at regional level (especially unemployment services). In Slovenia, there is a relatively high degree of complementarity and interaction between policies and measures (for example, the regulation of early childhood education and care has an impact on child development, parents' employment and the risk of poverty). The Slovenian benefit system combines more or less adequate income replacement with activating and enabling services which are ever more targeted at individual needs.

In addition to these examples, several experts do highlight countries which have developed or are developing more integrated approaches in specific areas (see for instance Section 2.1 for a discussion on the interaction between policy areas in relation to early childhood development).

However, many experts (e.g. AT, BG, EE, EL, FI, HR, IE, IT, LT, PL, PT, RS) highlight that a significant weakness in their countries' approach to social investment is its piecemeal development and the lack of attention being given to interaction or complementarity between different policy measures. For instance, the Austrian experts note that Austria does not follow a truly integrated approach to social investment. This is largely due to the fact that the responsiveness for the most relevant policy areas is divided between the Federal Republic and the federal provinces. The Bulgarian experts, while identifying progress in a number of areas, note that despite these developments, there is still a need to improve coordination between various stakeholders and ensure a holistic and integrated approach to social investment. Despite the increase in some family child benefits and the social assistance, EU-SILC data show that BG is still lagging behind in terms of the effectiveness of social transfers. The Croatian experts conclude that there is little horizontal or vertical integration of policies, with little real coordination between different levels of government, or between governmental and non-governmental actors. Strategies tend to be developed, separately, for a series of groups in disadvantaged situations although most of these strategies are little more than wish-lists with low implementation potential and, crucially, too few clear timelines, indicators, or budgets. The Estonian experts comment that in relation to long-term care, as the system is very fragmented, it is difficult to offer integrated services for ensuring better accordance with people's needs. The Finnish experts highlight that while many measures have an explicit or implicit social investment approach, a better coordination of measures and actors would lead to better results. The Greek experts point out that while the provision of subsidised places in early childhood education and care services has played a positive role in sustaining female employment or in providing time to look for a job, it is considered a rather fragmented intervention given that it does not form part of an integrated policy to supporting parents' participation in the labour market. Additional support should be provided to unemployed parents, especially mothers, by ensuring not only the provision of subsidised child care facilities, but also their participation in subsidised employment or training programmes, securing, thus, adequate resources and promoting their re-integration into the labour market. An integrated approach to address social and labour market exclusion, which combines active labour market policies (ALMPs), adequate minimum income and access to quality services, is still missing in the case of Greece. In Ireland, while there is some complementarity among the social investment measures in relation to children and young people's framework which treats ECEC, child poverty and the Youth Guarantee in an integrated fashion, planning and governance in the three main domains of social investment do not proceed in a fully integrated manner. In Italy, the experts claim that an integrated social investment approach constitutes an ambitious challenge, due to the functionally biased (towards old age) fragmented and corporatist welfare system. This system has historically been characterised by a low degree of universalism (apart from healthcare), limited vertical redistributive capacity, a low degree of selectivity to reach those most in need, a low degree of service provision, meagre enabling and "activating" measures, significant regional disparities, and overall inequality in income distribution (accompanied by a fragmentary and chaotic tax system). The Lithuanian experts comment that the lack of synergy between ALMPs and social services also reduces the potential of ALMPs. The lack of synergy complicates the integration of categories of people most at risk (e.g. people with disabilities, older women returning to the labour market, ex-prisoners) into the labour market. In Poland, while the government implements various social investment measures, they are not really coordinated nor treated as a package. Some of them are prioritised (childcare, education), others are not approached in an adequate way (long-term care, social housing, cash support). In Portugal, the lack of an integrated comprehensive strategy for the promotion of ALMPs has resulted in the adoption of a "labyrinth" of measures and policies.

1.3. Use of EU Funds to support social investment

The SIP stresses that "the European Structural and Investment (ESI) Funds, in particular the ESF, as well as PROGRESS 2007-2013, the Programme for Social Change and Innovation (PSCI) 2014-2020 and the Fund for European Aid to the Most Deprived (FEAD) are important instruments for European countries in implementing the strategy set out in the Social Investment Package". While the use of EU Funds was not an area that experts were asked to examine in their country reports, several did highlight the important role that these funds can play in support of social investment policies. For instance:

- in Croatia, there are now 23 active employment measures for young people under 30, and in particular those never employed. The number of ALMPs participants was 53,656 in 2013, which represented an increase of 29.1% in relation to 2012. This represented some 3.1% of the active labour force and 15.5% of the registered unemployed. There is also a plan to invest €150m inside the Youth Guarantee Implementation Plan in the 2014-2017 period, increasing annual ALMPs expenditure from 0.16% of GDP to around 0.25%. While these efforts are more than welcomed there are some concerns regarding the existing administrative capacities, particularly for monitoring and evaluation, and over-reliance on EU funding;
- in the Czech Republic, with the help of EU funds and a new national fund, resources will be available to municipalities for securing sufficient places in kindergartens and primary schools. Within the field of social inclusion and poverty alleviation, it has been promised that social fieldwork in excluded localities will be strengthened, an act on social housing prepared, and social flats built with the help of EU funds. The Integrated Regional Operational Programme (IROP) for 2014-2020 was approved in July 2014, and includes, among other measures, support for accessible social housing for needy people: at least 5 thousand new flats should be the outcome of investments supported through the IROP; the resources may be increased depending on the absorption capacity;
- in Estonia, despite the low expenditures and low number of participants compared to other European countries, the progress regarding ALMPs in recent years has still been remarkable. While in 2009-2011, ALMPs were financed mostly from external resources (ESF, EURES), from 2012 onwards most resources come from the labour market services and support endowment of the Unemployment Insurance Fund (UIF) indicating the sustainability of the current financing level;
- in Greece, important initiatives have been taken over recent years, in the framework of the EU co-funded programme "Reconciliation of family and professional life", to provide open care services for the elderly, namely the Day Care Centres for the elderly (KIFI) and the "Help at Home" programme. Both these programmes have been, until very recently, co-financed by EU Structural Funds (ESF). The increase observed in the pre-school and care facilities for children was mainly driven by the need to facilitate female labour force participation, as well as to improve children's sociability and well-being. The financing of these services has been heavily supported by EU Structural Funds, especially since 2011, in the context of the programme for the "reconciliation of family and professional life". There is a wide range of programmes run by the Manpower Employment Organisation (OAED), which are heavily co-financed by the ESF;
- in Hungary, EU funds play a key role in financing social investment-type policy interventions;
- in Latvia, the total funding for labour market policy measures has been increasing rapidly over the past few years, with most of it (about 4 fifths) being

financed from the ESF. Most of the financing is allocated to measures aimed at improving skills, which involve professional training, retraining, promotion of qualifications, as well as measures to promote competitiveness and career consultations. Funding from the ESF was instrumental in mitigating unemployment, facilitating a large temporary works programme involving tens of thousands of people;
- in Lithuania, EU structural funds are being used to develop a system of vocational rehabilitation services for the disabled and the network of institutions which provide services;
- in Poland, skills development is financed by individuals, employers and from public sources, including the Labour Fund and the European Social Fund. Also, in the area of early childhood development there are EU funded projects in areas such as the establishment and maintenance of childcare facilities;
- in Romania, the ESF was one of the main sources to finance ALMPs and especially the Youth Guarantee scheme;
- in Slovakia, the government plans to support child care facilities for small children in companies and will cover a part of the related costs using the EU funds' resources;
- in Slovenia, the relatively new ALMPs measures include the Youth Guarantee which is co-financed from the ESF;
- in Spain, ALMPs measures have been introduced through the Spanish Employment Strategy 2012-2014, the Annual Employment Plan in 2014, and the launch of a new Spanish Employment Activation Strategy 2014-2016. The goals of these plans include youth employability (facilitating job-placement in salaried employment, and promoting entrepreneurship activities), through the implementation of the National Youth Guarantee System approved in December 2013 (with the support of EU funds), as well as labour market inclusion of other categories of people most at risk (people over 55 years old, long-term unemployed, and beneficiaries of the PREPARA Programme[12]);
- in Turkey, the EU Finance Cooperation Programme (AB Mali İşbirliği Programı) funds (amounting to €13 million within the "Public Employment Services Improvement Operation") were used to improve employment services with an emphasis on active labour market policies.

The Romanian experts point to two downsides of the use of European funds that will need to be addressed in future to maximise their impact. First, European funded programmes are scattered and uncoordinated or just "piloting" solutions. Secondly, they are not "assessable" as there is no effective monitoring in place.

1.4. Recent trends and developments in social investment

Experts examined the extent to which social policy measures/instruments introduced or planned since the beginning of the Europe 2020 strategy, or more particularly since the SIP was adopted in February 2013, have or have not adopted a social investment focus. Many experts conclude that, due to its novelty and slow dissemination and diffusion, the development of a social investment approach in this period has been very limited in their countries. Several experts (e.g. BE, EL, ES, FI, HR, HU, IT, LU, LV, NL, PT, RO, RS, SI, UK) report that a key factor in their countries that has limited and in some cases actually lead to a decline in the development of a social investment approach has been the impact of the economic crisis and a policy environment dominated by fiscal consolidation policies whose primary aim is to reduce public budget deficits. They identify four main ways in which a focus on fiscal consolidation and a failure to apply social impact assessments[13] of policy changes have often led to

[12] This programme is aimed at people who have exhausted their unemployment benefits and combines retraining measures and professional reinsertion programmes with financial support.

[13] It is worth highlighting that the President of the European Commission, Jean-Claude Juncker, in outlining his priorities to the European Parliament for the new Commission, proposed that "in the future, any support and reform programme goes not only through a fiscal sustainability assessment but through a

negative effects for the development of social investment policies: first, fiscal consolidation has led to cuts in budgets for some existing investments in building human and social capital resulting in reductions in availability and/or quality of programmes; secondly, it has led to a move away from successful universal social investment policies to more targeted and conditional policies towards the most in need that are often less effective in addressing social challenges and lead to increased stigmatisation and inequality; thirdly, it has led to the postponement or cancelling of new policies which invest in human and social capital; fourthly, it has resulted in prioritising passive short-term measures to protect people over the introduction of more enabling and active measures. Examples put forward by the experts include the following:

- in Belgium, in spite of a social investment tradition, the main preoccupation of the federal and regional governments has been the reduction of the public deficit with repercussions for certain (planned) investments. For instance, there have been insufficient investments in extra childcare places and cutbacks in childcare (through higher fees), particularly in Flanders. There have been cutbacks in education (at all levels) and the introduction of higher tuition fees in higher education (Flanders). Previous budgets for subsidised jobs in social enterprises are being "shifted" to wage subsidies (for broader target groups and thus their impact may be diluted) in the private sector. At federal level, the patients' co-payments will be increased, especially for specialised care;
- in Spain, since 2010 there has been a significantly negative impact on welfare programmes. Among the most directly affected policies are those more closely associated to a philosophy of social investment (i.e. family policies or labour market activation schemes), traded for what were assessed as more immediate needs linked to large scale unemployment and rising poverty levels;
- in Greece, the tight budgetary situation, as a result of the fiscal consolidation measures that have been implemented since 2010 in the framework of two Memoranda, have allowed no room for budgetary manoeuvre to develop and finance social investment initiatives;
- in Finland, the experts consider that the increased number of pupils in class-rooms, and savings in special education and training may create problems in the long run;
- in Croatia, long-standing or traditionally core social programmes which are compensatory in approach have tended to be better protected than more innovative social programmes which may have a stronger social investment component;
- in Hungary, a number of measures affecting the provisions of the social protection system were introduced. The conditions of provisions for the unemployed, of social provisions and of family cash transfers have been tightened. Even the nominal value of certain provisions has been decreased. Thus the effectiveness of social redistribution has decreased significantly;
- in Italy there has been a reduction in financial resources for public services, as well as in the general budget assigned to regional and local authorities, i.e. the main providers of services and benefits. This reduction is likely to jeopardise the service delivery capacity of local authorities as demonstrated by a 23.5% general decrease in their investments which occurred between 2008 and 2012;
- in Luxembourg, while social investments will certainly continue, the budget control measures are likely to slow down instead of speed up the implementation of social policies. Budget measures in family and employment benefits and in the dependency insurance point in that direction. Trade unions, NGOs and grassroots organisations expressed their great concern. Government makes no overall social impact assessment of budget and tax measures;

social impact assessment as well. The social effects of structural reforms need to be discussed in public". (See Juncker J-C, (2014), *A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change,* page 8. Available at: http://ec.europa.eu/priorities/docs/pg_en.pdf.)

- in Latvia, thresholds for unemployment, sickness, maternity, paternity and parent's benefits were introduced in 2010-2014. These influenced mainly persons with relatively high level of income, because recipients received only half of the sum that was above €500 per month. In some way, it has even contributed to reducing inequality during the crisis. The threshold of maternity, paternity and parents benefit was doubled to €1000 per month already in 2013, earlier than others, thus reflecting the priority given to supporting the family. Since 2015, there is no threshold for insurance-based unemployment benefit or for sickness benefit;
- in the Netherlands, while there have been positive developments since 2010 in relation to work, take-up of care and support and childcare services, cutbacks in the budgets for re-integration and for long-term care, including youth/ childcare (allowances), risk undermining the social investment approach if, as a result, municipalities fail to provide effective services for which they became responsible after the current reforms and decentralisation are implemented in 2015;
- in Portugal, policies introduced in response to the economic crisis have compromised the implementation of a social investment approach and developments achieved in crucial areas as regards social investment (e.g. early childhood development, ALMPs, access to healthcare, family support policies) are being put at risk by the successive restrictions imposed by new policy developments;
- in Romania, policy responses to key social challenges were meagre during the last two years, consisting mostly of palliative and "piloting" solutions, rather than solutions addressing structural issues. For instance, employment services are rather focused on passive, palliative measures (mediation, subsidies) and fail to reach people in disadvantaged situations on the labour market;
- in Slovenia, the extent of social investment has been decreased since mid-2012, particularly in the areas of family benefits, maternity/paternity/parental leave wage compensation, early childhood education and care (ECEC) subsidies, and the state educational grant;
- in the UK, while social investment is sometimes highlighted by the government it is not a consistent theme. Since 2010, the overall impact of policies favours protection of pensioners, as well as those on middle incomes and above, relative to families with children and those on low incomes. Also, the social protection system has become more concerned with relief for those in disadvantaged situations rather than with developing polices to prevent and protect them from being in such situations. While the Government has sought to protect education (and National Health Service [NHS] spending) from the cuts, between 2009/10 and 2013/14, real spending on education fell slightly and during this period, the education system has had to cope with rising school rolls. Spending on schools and nursery education in particular has risen. Spending on further and tertiary education has fallen.

Key areas where recent negative outcomes in relation to social investment are frequently highlighted by experts are: social insurance and income support (e.g. BG, EE, EL, HU, IT, PT, RO, SE, SI); active labour market policies (e.g. ES, IT, PT, RO, RS, SE, SK); child and family policies (e.g. ES, IT, PT, SI); education (e.g. HU, PT, SK); elder and long-term care (e.g. NL, RS, SE); and access to health care (e.g. LV, PT).

However, often the picture is not clear cut and there can be cuts in some social investment policies and improvements in others. This sometimes seems to reflect some ambiguity or inconsistency in approach in some countries or else a prioritisation of some areas of social investment over others. This may reflect a certain hierarchy in policy development during a period of budget restraint in which investment in services (e.g. early childhood care and education) is prioritised over investment in income support (i.e. cash benefits). This may also reflect a certain ambiguity or tension in the European Semester process where, on the one hand, countries may be urged to cut public expenditure to reduce deficits while on the other they are being encouraged to do more to address specific social challenges. However, on balance the pressure to cut often appears to be stronger than that to invest. In spite of this, it is also clear that, although the way in which fiscal consolidation has been applied in many countries has had negative consequences for social investment policies, this does not necessarily have to be the case. Thus, in some countries experts note that recently there have been some more positive developments in relation to social investment (e.g. AT, BG, CY, CZ, DK, EE, FR, IE, MT). For instance:

- in Austria, no large-scale or structural retrenchment took place in most areas of social policy in recent years. Positive reform measures (accompanied by additional public spending) were decided regarding the policy areas of Early childhood education and care (ECEC) and institutional childcare. Regarding services for long-term care, additional funds have been made available (however at a level that, according to the Austrian experts does by all likelihood not allow for a substantial improvement when compared with the status quo);
- in Bulgaria, among the spheres where significant progress has been made over the last decade are the implementation of policies for child deinstitutionalisation and the closing of child institutions, the significant increase in enrolment rates in pre-school education and the reduction of infant and child mortality;
- in Cyprus, there are some good examples and commendable practices that can be considered in the spirit of social investment such as the introduction of the Guaranteed Minimum Income scheme in 2014 (which substituted the Public Assistance scheme) and the prenatal and neonatal screening programmes;
- in the Czech Republic, the new government has signalled a turn in approach concerning some areas of social policy that are directly linked to social investment, although it is still strongly committed to keeping public deficit below 3%. The prioritised areas include active labour market policies (ALMPs), ECEC, and social housing;
- in Denmark, in 2013 the government adopted a new Social 2020 strategy aimed at introducing extensive reforms of social, education, health and employment policies as well as targeted measures to improve the conditions for people in vulnerable situations. The Budgets 2012-2015 contain some elements of social investment. Similarly, the "Satspuljen" has directed funds at the groups identified in the Social 2020 strategy;
- in Estonia, while social investment is not an explicit concept used in social policy, most strategic documents and recent policy changes acknowledge the general approach and consider that public expenditures on education, health and ALMPs are cost-effective investments;
- in France, as a gap has emerged between the contribution capacities of the social system and the evolving needs and expectations of the population the concept of social investment in the EU sense of the term is once again topical. For instance, this has led to an intention to rework policies aimed at young children (i.e. day care for infants in community structures, support for parenthood, creation of local family service schemes, and reform of parental leave) with the aim of socialising children and making it easier to combine family life and work;
- in Ireland, since February 2013 and the publication of the Social Investment Package by the Commission, policy has assumed a stronger social investment approach - in particular, the national policy framework for children and young people, issued in April 2014, *Better Outcomes, Brighter Futures* is guided by a social investment approach;
- in Malta, since the recession affected the country less than most other European countries, there have been significant developments in terms of social investment. For instance, recent initiatives in respect of early child care and development demonstrate a very strong social investment component; the social protection system is being systematically re-aligned from a relief paradigm to a more initiative/training orientation.

2. SUPPORT FOR EARLY CHILDHOOD DEVELOPMENT

In their reports, ESPN experts stress that support for early childhood development is a classic example of social investment as effective social policies in this area both prevent disadvantages compounding and ensure children's well-being and future development. They thus contribute to building social capital and to ensuring medium to long-term positive social and economic outcomes for the individual and for society. This is in line with a key message of the Social Investment Package (SIP) overall and, in particular, of the Commission Recommendation on Investing in Children. In their national reports, the experts examine the overall approach to early childhood development with a specific focus on recent developments. They then examine three key policy areas in more detail: early childhood education and care (ECEC), family benefits and parenting services.

2.1. Overall approach and interactions between policy areas

The extent to which countries' social policies facilitate early childhood development varies widely across countries and contributes to very different outcomes for children in different countries. For instance, the level of spending on family benefits (see Annex A3, Table A2) and effectiveness of income support policies in reducing poverty levels (see Annex A3, Figure A1) is an important factor in explaining the very wide variations in the at-risk-of-poverty-or-social-exclusion (AROPE) rates among children. These range from 13% in Finland and 15.5% in Denmark to 48.5% in Romania and 51.5% in Bulgaria (see Annex A3, Table A5). Here again, when assessing on the basis of the ESPN experts' reports the main trends in countries in relation to policy-making in this field, three broad clusters of countries can be identified (though the border between the clusters is not a sharp one).

In the first cluster are those countries who continue to maintain and further improve their historically well-developed and comprehensive sets of policies to support early childhood development (DE, DK, FI, IS, NL, NO, SE, SI). For instance, the Finnish experts comment that the social investment paradigm is applied to children already before their birth (see Section 1.1). The Slovenian experts stress that Slovenia has a relatively well-developed family policy, which redistributes income in favour of families with children, enabling the reconciliation of professional and family obligations. The overall policy framework for investing in children and thus tackling the risk of child poverty has been quite good and has led to relatively low levels of child poverty. However, the Danish experts point out that while overall Danish social policies facilitate early childhood development for the vast majority of children there are coverage problems in those groups that are most in need of social policies supporting early childhood development. One reason for this can be that claimants of social assistance, housing allowances and other means-tested benefits who have children in subsidised childcare or receiving other benefits in kind may face high marginal effective tax rates if they move into work. Not only cash benefits matter to avoid situations where low income groups face higher marginal tax rates than high income groups when the withdrawal of social benefits and social investment policies are taken into account.

The second cluster includes countries (AT, BE, CH, EE, FR, HU, IE, LI, LU, MT, PL, UK) which have fairly well-developed policies in some areas but still lack a sufficiently comprehensive approach. However, several of these (e.g. AT, BE, EE, FR, IE, MT) are reviewing their policies and taking some positive steps to develop more comprehensive approaches to early childhood development. For instance in France, the multiannual poverty action plan, adopted in January 2013, anticipates several measures to reinforce support for children and their parents and in 2014, 17 *départements* put in place local family service schemes. These schemes have a two-fold objective: develop services for families (childcare solution for young children and support measures for parents), and reduce the large inequalities between regions in access to such services. In Malta, recent initiatives in respect of early childcare and development demonstrate a very strong social investment component. Examples of this social investment emphasis include: the introduction of free childcare, the increase in tax exemptions for paid childcare and the Early Hour initiative (when children can be dropped early at school and served breakfast). Children living in Liechtenstein are not legally entitled to early childhood education and care up to the age of attending primary school (except for children with an immigration background regarding the attendance of kindergarten), the modern family policy also fails to set up such an obligation up to now.

In the third cluster are countries (BG, CY, CZ, EL, ES, HR, IT, LT, LV, MK, PT, RO, RS, SK, TR) which have had in recent past and which continue to have a very low investment in and weak policies for supporting early childhood development even if a few of them (e.g. BG, LV, SK) have been making some efforts to increase social investment, if from a very low base. However, what is more noticeable about many countries in this cluster (e.g. CY, ES, LT, PT, MK) is that as fiscal consolidation has become the dominant theme in national policy making it has been implemented in a way that has actually led to a reduction or freezing in investment in early childhood development and to the abandonment or curtailing of some previously positive developments. For instance, the Spanish experts highlight that the "Educa3" programme set up by the Central Government in 2008 to promote educational success among children, and facilitating parent's conciliation of professional and family life (by facilitating the early schooling of children aged 0-3), was clearly framed in a social investment logic. Cash transfers to families, included within an effort to catch up in expenditure on "family and children", also coincided with this approach. Both programmes constitute examples of initiatives cancelled due to fiscal consolidation policies. The Portuguese experts report that developments achieved in crucial areas as regards social investment (e.g. early childhood development, active labour market policies, access to health care, family support policies) are being put at risk by the successive restrictions imposed by new policy developments.

In recent years, reductions in spending on families and children are not confined just to this third cluster of countries. The data show that between 2008 and 2012 across the EU spending on families fell in 21 out of 28 Member States. Even allowing for some demographic changes over this period this is in stark contrast to an increase in spending on old age in 26 Member States (see Annex A3, Figure A5). Thus, it is not surprising that in a significant number of countries child poverty has increased while pensioner poverty has declined (see Annex A3, Figure A3b).[14]

There are however, some countries (e.g. AT, BG, DE, HU, IT, PL, SE, SI, SK, UK) where there has been some increase in investments in policies in favour of children and families, though in some cases from a very low base. For instance, Bulgaria's efforts to enhance enrolment in pre-school education and to implement policies for child deinstitutionalisation and Slovakia's efforts to increase ECEC provision are notable examples. Poland has made efforts to increase pre-school enrolment by decreasing payments for pre-school facilities and increasing availability of pre-school care to the vulnerable population (i.e. large families, single parents, poorer families). Also coverage of 5-year old children in pre-school education has become mandatory, which is a large step towards reducing inequalities in access to early education. In the Former Yugoslav Republic of Macedonia, access to formal and non-formal early childhood education and care has been increasing in the last few years. However, this trend has not been accompanied by improvements in child-teacher ratio in public preschool facilities, or visible progress in relation to discrimination faced by disabled children, Roma children etc.

[14] In this regard, it is interesting to note the findings of a recent report by Bruegel which concludes that "Fiscal consolidation has generally attempted to spare social protection from spending cuts, but the distribution of adjustment costs between the young and old has been uneven; a growing generational divide is evident, disadvantaging the young." (See Darvas, Z. and Wolff, G.B. (2014), "Europe's social problem and its implications for economic growth", Bruegel Policy Brief, Issue 2014/03.)

A key to the success of policies to support early childhood development is the extent to which they are delivered in an integrated way across different policy areas. An integrated approach is most evident in the first cluster of countries which as well as having a comprehensive approach are concerned to develop synergies between them. For instance, in Germany in recent years, a growing number of municipalities have started to develop and implement local action plans against child poverty. While some municipalities have developed comprehensive action plans, others have drawn up complex action plans for certain policy areas such as "education poverty". The city of Monheim has become well known in the German social policy debate as an example of comprehensive action plans. Examples like the city of Monheim have proved that integrated strategies are possible, at least at local level, and can be successful if there is a joint and sustainable effort made by all the local actors. However, the city of Monheim also needed, and still needs, support from the federal and state levels. In Finland, the Early Childhood Education and Care (ECEC) is based on an "educare" model that integrates care, education and teaching. However, the Finnish experts point out that there is still room for improvement. Thus, in October 2014, the Finnish Ministry of Finance set up a working group to give recommendations on how to improve coherence and coordination between the different items in family policy. In the Netherlands, the new Youth Act makes municipalities responsible for all forms of youth care; the goal of the system change is to ensure that more care needs are addressed at the earliest stages and that there is increased focus on prevention and early support, with the young person's and family's own strengths being central. Support should be integrated and customised, and cooperation around families' needs to improve, which can also be summarised in the words "one family, one plan, one case manager".

Efforts to improve coordination are also evident among some of the second cluster of countries. For instance, in Hungary a successful model in the field of early childhood education for disadvantaged children is the Sure Start Children's Houses. After the end of EU financing, they receive further state financing for 3 years, which is a significant achievement and represents a good practice. In Ireland, the Area-based Child Poverty Initiative aims to provide more coordinated services and interventions oriented to improve early child development and prevention and to work closely with parents in this regard. The new initiative is strongly oriented towards a social investment approach. Moreover Ireland's Children and Young People's Framework treats ECEC, child poverty and the Youth Guarantee in an integrated fashion. In addition, the Framework views parental employment as one of the major ways of meeting the poverty target for children. In Luxembourg, children's houses ("maisons relais pour enfants") and local action plans for peri-school accompaniment offer childhood education and care from 0 to 12 years.

In the third cluster of countries in particular, one of the key weaknesses that many experts (e.g. BG, EL, HR, IT, PT, RO, RS) identify is the lack of an integrated approach and the tendency to a piecemeal and ad hoc or fragmented approach to the development of services. For instance, the Bulgarian experts comment that despite some efforts Bulgaria still lacks a focused and coordinated approach to early childhood development. The existing policies are fragmented, without sufficient coordination and coherence between different sectors, both at the planning and service provision level. Specific difficulties are monitored in providing integrated cross-sectoral services to meet the needs of the most vulnerable children and families. The implementation of an integrated approach to child development from birth to 1st grade is hindered by the division and fragmentation of responsibilities for children in different age stages of early childhood between the health, education, and social protection systems. The Greek experts conclude that a specific policy aiming explicitly to support early childhood development with a view to break the cycle of disadvantage is lacking. In Italy in general, policies for early childhood development are not well integrated. This is the result of fragmented legislation and scarce coordination between institutional levels and between financial funds. In Portugal, a report by the Portuguese Committee of UNICEF has concluded that "There is no structure at the national level which is responsible for the coordination and monitoring of children's affairs". The same report also notes that the fragmentation of responsibilities regarding children policies and services is a major weakness in Portugal. However, it is possible to say that there is complementarity between policies since they cover different areas of childhood life, such as care, education and parental support. More positively, in Lithuania integrated early childhood policies are in formation. The importance of complementary effect of different measures is recognised and the Ministry of Education and Science supports the multidimensional approach that includes the development of infrastructure, improvement of the access to social services, individualisation of education, in-service training of the educators, strengthening of the partnership of school communities with parental organizations and parents.

2.2. Early childhood education and care (ECEC)

Across most European countries experts highlight a broad acceptance of the importance of developing effective ECEC services for the development of children. Of course effective ECEC services also play a key role in enabling parents to reconcile work and family life and to support their participation in the labour market (see Section 3.1 on Childcare). Most of those countries with fairly well-developed systems (e.g. DE, DK, FI, IS, NL, SE, SI) have maintained these during the economic crisis and some have been making efforts to further extend quality and coverage (e.g. DK, FI, NL). For example, Denmark in its Budget 2015 increased funding for childcare staff. Denmark has also put a lot of emphasis on the quality of childcare: in December 2014, the Council for Children's Learning made recommendations to municipalities on creating learning environments of high quality. Indeed, Denmark is not alone in being concerned with quality of provision as in most of these countries there is a strong social investment ethos which emphasises the child's development. For instance, the Finnish educative approach was strengthened in 2013 with the transfer of responsibilities from the Ministry of Social Affairs to the Ministry of Education and Culture. Since 2010, the Netherlands has invested in the quality of childcare services including early childhood education and compared to 2012, the 2013 and 2014 budgets were increased by one million euros, to approximately €361 million. Municipalities are free to add extra funding. The 37 largest municipalities receive extra funding to enhance the quality of the services provided and to improve access to these.

Several countries with less developed systems have been taking some steps to address deficits in early childhood education and care services in recent years (e.g. AT, BE, BG, CH, CY, EE, EL, HU, IE, LI, LV, LT, MT, NO, PL, UK) though progress is often slow and there are often significant differences in access by social background. For instance:

- in Austria, the Federal Republic has offered the federal provinces some incentives to enhance their systems of institutional childcare (in particular ECEC for children in the age up to three years);
- in Cyprus, the state continues to provide financial support to NGOs and Local Authorities for the operation of childcare programmes, including day-care centres for pre-school children. In addition, a new scheme is planned with the objective to subsidise the kindergarten/nursery school cost of the children of unemployed and low paid parents;
- in Estonia, efforts will be implemented during the 2014-2020 structural funds period to improve childcare accessibility and from last year local governments will be given more flexibility to offer childcare services;
- in Greece, since 2006 particular emphasis has been placed on the provision of childhood education and care services (childcare centres, daylong kindergartens and nursery schools) and there were significant increases in provision. However, the provision of welfare pre-compulsory care has deteriorated since 2010 due to budgetary cuts, and staffing ratios have worsened;

- in Hungary, the government aim at expanding and reinforcing quality education in early childhood and integrated pedagogical programmes in kindergartens, especially targeting disadvantaged children (e.g. Sure Start Children's Houses, kindergarten support, compulsory enrolment into kindergarten from 3 years from 2015). There has been a slow but steady growth in the availability of crèches for children under 3, but the level of provision is still very low;
- in Ireland, a free universal ECEC year on a half-time basis for 3-4 year olds was introduced in 2010 with plans to extend it to 2-3 year olds in the next five years. However, on the whole ECEC is under-developed and childcare is extremely expensive and has a social class gradient;
- in Latvia, since 2009 ensuring pre-school education institutions availability has become one of the strategic priorities of the country and from 2006 to 2013 there was an increase in ECEC institutions – 60 new municipality and 90 new private institutions;
- Liechtenstein does not offer any part-time free early education for all 3 and 4 year olds. Based on a continuously rising number of parents who want a part-time early education for their children and despite the challenges of fiscal consolidation, the government has stopped the cost cutting measurements in financially supporting childcare facilities and established a working group to come up with new solutions for financing such facilities and to enlarge the offer. Results are expected in 2015;
- in Lithuania, the accessibility of pre-school education has grown significantly in rural areas. €2.05 million was allocated from the EU Structural Fund project "Development of Pre-Primary and Pre-School Education" in 2012. However, the possibility to participate in pre-school education is much less for children living in rural areas, in a divorced family, or in a household living in poverty;
- in Malta, the main impact on early childhood care was brought about by the introduction of free child-care to working/studying parents as from April 2014;
- in Poland, in recent years priority has been given to the establishment and maintenance of childcare facilities, both for children in the age group 0-3 as well as pre-schools, and also encouragement of employers to establish company-based care facilities (e.g. the recent expansion of the "Toddler" programme and the Prime Minister's statement of October 2014 that the government would pay special attention to the development of "company childcare facilities" supporting it with the CIT reductions and EU funds). However, Polish indicators are still far behind the EU averages;
- in Switzerland, a few cantons require employers to pay a small contribution based on total payroll that is used to subsidy the cost of childcare services. In the Canton of Vaud, for example, this contribution is 0.08% of the total payroll;
- in the United Kingdom, the Early Intervention Foundation has been set up to focus on child development up to age 19. Within the education budget, there has been a very small real increase in spending on the under-5s and a very large fall in the post-secondary and non-tertiary sector. ECEC is seen in part as social investment, aimed at school readiness for disadvantaged children in particular but cuts in spending have hit Surestart/children's centres. Cuts to local authority budgets meant that real spending on Sure Start services fell by 32% between 2009-10 and 2012-13, with local authorities in more disadvantaged areas having more substantial funding cuts. The government hoped local authorities would do more for less. But the ring fencing that prevented Sure Start funding from being used for wider purposes was removed. The number of Sure Start centres fell by a sixth (from 3,631 in April 2010 to 3,019 in June 2014), though the government said the loss was 72 centres (due to mergers). Nearly 3/4 of centre managers said service delivery had been affected by cuts in 2011-12. But there was also evidence of resilience, with 3 in 4 in 2012 and 2 in 3 in 2013 expecting to maintain or expand services. A requirement for children's centres in disadvantaged areas to provide day-care places for children was lifted. Payment by results was piloted

for children's centres, but abandoned after evaluation. Children's centres were required to target services on the neediest.[15]

There are a few cases (e.g. ES, IT, PT) where experts note significant disinvestment in early childhood education and care. In some cases, this is especially for those who are most vulnerable such as children from a migrant or ethnic minority background (especially Roma). In Spain the implementation of the aforementioned "Educa3" programme aimed at expanding ECEC provision for 0-3 year olds was strongly affected by the fiscal consolidation measures adopted in response to the economic crisis; it was cancelled by the incoming Conservative government in early 2012, with only 400 million of the planned €1,087 million being spent by the Central Government. In Italy, the number of children younger than 3 attending formal ECEC services has declined and a lack of affordable public ECEC services forces families to play the role of first safety net and social services supplier. Moreover, the current economic crisis has strengthened "compulsory familialism", since households are obliged to ensure mutual aid especially towards children (but also towards the elderly). In Portugal, in 2013 the participation in pre-school for 4-5 years olds declined after a decade of increasing participation rates. When budgets are squeezed as a result of fiscal consolidation measures, quality can be adversely affected, for instance by an increase in child-staff ratios; this was the case for example in Finland.

Some countries (e.g. BG, CZ, HR, RO, RS, SK, TR) have very limited services and very low rates of enrolment in ECEC, especially for the 0-3 year olds. While the problem is often acknowledged in official documents, very limited increases in expenditure and poor implementation limit progress. For example, the Croatian experts comment that ECEC is seriously underdeveloped, with already low national average enrolment rates hiding significant regional disparities and with the poorest counties having the lowest enrolment rates. In Romania, childcare services for children up to 3 years are scarce and unevenly developed, mostly concentrated in dense urban areas. Thus, participation is very low and did not improve significantly during the last years. While preschool services are less scarce and the enrolment rate in pre-school educational programmes is significantly higher, access barriers still persist. Rural families, Roma families, families with low income and those out of formal employment face the highest access barriers. The scarcity/ low quality of (ante)-preschool educational services is reflected in both inadequate/ unequal cognitive development and knowledge accumulation of children about to enter school (creating educational disadvantages further on). In Serbia, in 70% of districts (25 districts) there is no supply of services for the youngest group. The Czech Republic passed an act in 2014 aimed at encouraging more ECEC provision and has been increasing expenditure on pre-school education. In Slovakia, governmental documents acknowledge the very low level of ECEC provision and the need to expand it, and in fact spending on child day care has increased between 2010 and 2012 from €0.45 to 0.90 per inhabitant (at 2005 constant prices). Recently, there is a commitment to increase the budget for ECEC which reflects the persistent unfavourable situation regarding the ECEC capacities. Widening the gap between the demand for childcare services and their supply is seen as an alarming problem which requires a serious and immediate solution. In Turkey, efforts to improve enrolment in pre-primary education have been significantly slowed after the reforms extending compulsory education from 8 to 12 years in 2012. Pre-primary education has not been included in compulsory education.

2.3. Family benefits

ESPN experts report a wide variation in the extent and effectiveness of cash family benefits in reducing the income poverty rates of families with children which is borne out by the comparative data available (see Annex A3, Figure A1). Several experts

[15] See Stewart, K. (2015), "The Coalition's record on the under fives 2010-2015", Working Paper 12, Social Policy in a Cold Climate, London: Centre for Analysis of Social Exclusion, London School of Economics.

(e.g. AT, CY, CZ, FI, HU, IE, NL, SI) report a strong positive impact in reducing child poverty and protecting children during the financial crisis. For instance, the Slovenian experts note that family benefits – along with a cash social assistance – are among the most important reasons why the risk of poverty for children has not exploded following the outbreak of the crisis. The fiscal consolidation measures, implemented since June 2012, have not affected families already experiencing poverty and social exclusion or at a high risk of becoming poor or excluded. The most vulnerable children (families with children) have been exempt from cuts in entitlements (family benefits, ECEC subsidies and state educational grants). Even so, some of the countries with comparatively generous systems have experienced significant reductions as a consequence of fiscal consolidation measures (e.g. HU, IE, LU, NL). For instance, Luxembourg, which is the highest spender per inhabitant on family benefits in the EU, has seen this investment decrease by some 11% between 2008 and 2012. In the Netherlands, the already relatively low level of public spending on family benefits as a percentage of GDP declined between 2007/08 and 2011/12. However, low spending does not directly result in low poverty rates and the AROPE rate remained low. Also, childcare and child benefits take up 9% of total expenditure costs for social security. Some experts in countries with fairly generous systems comment that the system is inefficient in combating child poverty (e.g. BE, DE, HR, LI). For instance, the German experts highlight that the system of family benefits in Germany is determined by the primacy of cash benefits and tax breaks for families, as opposed to benefits in kind (i.e. education, social and healthcare services) and they conclude that the existing complex system of marriage- and family-related benefits is not able to prevent child poverty in Germany: even if public spending on cash benefits and tax breaks is comparatively high in Germany, it is not effective in fulfilling this social policy objective. In Liechtenstein, the key focus of the Government's modern family policy is to grant the relevant minimum of financial support in order to prevent children from growing up in poverty. These benefits have remained unchanged during the fiscal consolidation policy since 2010. The Czech experts also point out that the effectiveness of the family benefits package is only one factor in the low poverty rate. Also important is the extremely low pre-transfers poverty rate.

Several experts point to the very limited levels of family benefits in their country and the lack of efforts to change this (e.g. BG, EL, PL, NO, RO, TR). For instance, the Greek experts comment that income maintenance and in-kind benefits targeted at supporting families with children are very limited. In Poland, public expenditure on child/family benefits is among the lowest in Europe and the effectiveness of benefits in reducing child poverty is weak. All social transfers taken together (except pensions) reduce the child at-risk-of-poverty rate by less than 7 percentage points, giving Poland the third worse rank in the EU. In Norway, the benefits from the universal child allowance have been kept constant in nominal terms for almost 20 years resulting in a serious reduction in purchasing power over time and an even more dramatic decline relative to the median income. The policy is responsible for a strong rise in the AROP-rate among families with children and in particular among single parents over the last two decades.

The negative impact of fiscal consolidation on child development policies from a social investment perspective is most often evident in relation to family benefits. Family benefits are a crucial part of investing in children as they help to ensure that families have sufficient income to ensure that children do not lack basic necessities and grow up in a secure and healthy environment in which their development can be ensured. When benefits are not adequate or access to them becomes restricted then their effectiveness in terms of social investment diminishes. Several experts highlight that there have been significant cut-backs or increased conditionality and means-testing attached to family benefits or a failure to uprate benefits in line with living costs in recent years (e.g. CZ, EL, ES, FI, HR, HU, IE, LV, PT, RO, RS, SI). For instance, in Finland the real value (in 2013 prices) of child allowance (payable from the 1st child) has dropped from €130 in 1994 to €120 in 2005 and to less than €100 in 2015. As the Finnish experts point out, the deterioration of child benefits is likely to increase child poverty which, in turn, would erode the effect of social investment policies. In Hungary, a number of family benefits have lost at least 20% of their value since 2008. As family benefits play a very significant role in alleviating the financial situation of the poorest families with children, since these benefits amount to an average of 18% of overall household incomes for families in the lowest income deciles, this value loss contributed significantly to the deterioration of child poverty. The new family tax allowance only improves the situation of children in working families, esp. those in higher income brackets. In Latvia, family benefits spending per inhabitant decreased from €108.79 in 2008 to €73.27 in 2012 due to the temporary measures of fiscal consolidation. In Lithuania, in 2009, Children's Benefits were transformed from categorical to income-tested benefits. In Portugal, the number of children receiving family allowance decreased by 566,944 between 2010 and 2013, between 2005 and 2013 64,836 children lost entitlement to social insertion income and after 2013 the Child Support Guarantee Fund became more restrictive. As the Portuguese experts point out, these developments are in clear contradiction to the EU Recommendation on "Investing in children: breaking the cycle of disadvantage", both as regards the horizontal principle which should guide countries' policies in this area ("recognise children as independent rights-holders") and by paving the way to stigmatisation of an increasingly reduced number of children entitled to receive benefits. In Romania, all family and income support benefits were frozen in 2009, thus depreciating considerably in real terms. As a consequence, support for poor families with children decreased not only in real terms but also in terms of coverage. In 2014, the means-tested family benefit was covering about 20% less children compared to 2011. In Spain, the amounts received under the cash transfer schemes that had been significantly increased in 2008 were cut nearly by half in June 2010, universal childbirth benefits were cancelled in 2011, and regional schemes supporting families were dismantled, breaking a trend that was transforming the weak performance of Spanish social policies in support for children's development. In Greece, there has been a change in the policy direction by converting, in 2013, most of the universal child benefits into two means-tested benefits and by abolishing all tax relief arrangements relating to families with children. However, a few of these countries (e.g. CZ, IE, RO) have more recently begun to again increase benefits but not back to previous levels.

One interesting trend is that some of the countries (e.g. FI, HU, IE, LV, NL) in which experts report an overall reduction in family benefits they also report efforts to strengthen ECEC provision (see Section 2.2. above). To some extent, this may represent a shift in spending priorities.

In a few countries (e.g. AT, CH, EE, IE, IS, IT, LV, MT), experts report recent increases in some family benefits even if these do not always make up for devaluation at an earlier stage of the economic crisis. For instance:

- in Estonia, new means-tested cash benefits for families with children were introduced in 2013, and child allowances were increased considerably in 2015;
- in Italy, expenditure devoted to family benefits increased by 53% in 2014 compared to 2010 (6% compared to 2008) and are expected to continue to increase in 2015 and 2016. However, such increase does not represent a clear move towards social investment, since it favours cash benefits (e.g. bonuses and vouchers in case of new-born or adopted children) rather than services (e.g. those supported by a national fund for family policies decreased by 88% between 2008 and 2014);
- in Iceland, expenditures on child cash benefits increased by close to 30% in January 2013, after having been reduced from €1359 (per capita) in 2008 to €1109 in 2011;
- in Latvia, parental benefits to children under the age of 2 were significantly increased in 2013 and 2014 for both working and non-working mothers. The amount of childcare benefit for non-working parents more than doubled between 2012 and 2014;

- in Switzerland, a federal law on family benefits has somewhat harmonised standards across cantons, resulting in an increase in several of them.

2.4. Parenting services

The extent and types of parenting support services vary very widely[16]. The most common types of services that are highlighted are: parental education, family counselling offices, maternal and child health clinics, outreach visits to mothers and babies by midwifes, services of family assistants to support vulnerable families, psychological therapy, and support for parents with disabled children.

Amongst the countries that have quite an extensive range of parenting services (e.g. AT, CY, EE, FI, SI, UK), several are making further improvements. For instance, in Austria the Federal Youth- and Child-Assistance-Act has led to a number of improvements since 2013 in the general national regulatory framework of parenting services. The Estonian Strategy of Children and Families 2012-2020 puts a strong emphasis on supporting positive parenting and a pilot project (Incredible Years) will be developed during 2015. However, in Estonia, as in many other countries parenting support is primarily provided by NGOs so services are mainly project based and thus financing and delivery of services can be rather unstable.

Several experts (e.g. EL, HR, HU, IE, LT, PL, PT, RO, RS, TR) highlight a lack of sufficient services to support parents. In many of these countries there is little evidence of any increased effort to improve services in this area in response to the Europe 2020 strategy or the Social Investment Package. For instance, the Greek experts comment that not a single governmental effort related to a comprehensive policy for the provision of parenting services has been recorded. The Hungarian experts note that the accessibility, the material and human resources of such services are significantly worse in the most disadvantaged regions and small settlements. In Lithuania, parenting services are not sufficiently developed and are quite fragmented. Romania's parenting services are limited to mother-child centres, aimed at preventing child abandonment.

However, some positive developments are cited in several countries (e.g. BE, EE, FI, FR, IE, LT, LU, NL, PT, UK). For instance:

- in Belgium, there has been a general tendency to develop/strengthen parenting support services since 2010;
- in Estonia, supporting parenting by giving advice and offering therefore different consultancy services is one of the strategic purposes in the Estonian Strategy of Children and Families 2012-2020;
- in Finland, some municipalities by investing more in home help and family services, have been able to considerably cut down expenditure on more costly child protection measures;
- France, in 2013, as part of the multi-year plan against poverty and social exclusion, enacted a significant increase in credit to support parenthood (€150M instead of €75M over the period 2013/2017) which explicitly targets improving the well-being of children and parents;
- in Ireland, although parenting support is very under-developed as a general service, there are relevant measures for parents of the least-advantaged children as part of the Early Start education programme and also the Area-Based Child Poverty initiative;
- in Lithuania, there has been increased attention given to the provision of parenting services from 2012, after the Programme of Child Welfare for 2013-2018 has been approved. The Programme includes the actions directed towards

[16] For instance, in Italy, parenting services are embedded in childcare services, long-term care services and social services, which are managed by regional and local authorities. Thus, a clear distinction between these services is difficult to make.

improvement of the capacities of family to cope with psychological and social problems;

- in Luxembourg, the creation of the "Maisons relais pour enfants" and of a national service for assistance to parents and children have been a great step forward in parental services, but, on the other hand, according to the Luxembourg UNICEF committee, Luxembourg still has one of the highest numbers of children placed in welfare institutions;
- in the Netherlands, all municipalities have had a Centre for Youth and Family since 2011. These centres provide advice on raising children and, where necessary, guide parents and children into other areas of the youth care system;
- in Portugal, the Centres for Family Support and Parental Guidance support children and young people at risk as well as their families;
- in the UK, England has an extensive network of services to engage with parents, emphasising intervention to provide resources to (re)skill/train parents with the aim of changing their behaviour to better support their children. The health visiting service has been expanded as an essential resource for families.

Several experts (e.g. BG, CZ) highlight positive efforts to reduce the high numbers of children in institutional care. For instance, in the Czech Republic since 2013 there has been increased support for foster families.

3. SUPPORT FOR PARENTS' LABOUR MARKET PARTICIPATION

3.1. Overall approach and interactions between policy areas

When it comes to the availability of accessible, affordable and quality childcare services, the situation in European countries varies, often reflecting differences in their respective starting points. Indeed, beside Slovenia, the countries that have been assessed by the national experts as particularly successful in ensuring a relatively broad access to quality childcare at affordable costs are Nordic countries (DK, FI, IS, NO, SE), which can be considered as "historical forerunners" in this policy field, and Slovenia. A second cluster of countries includes countries where the attention to childcare has increased over the last two decades (AT, BE, CH, DE, FR, LU, NL, PT) even if shortcomings and areas for improvement remain (concerning, for example, the supply, quality or cost of childcare or existing territorial disparities). In a third cluster of countries (CY, EE, HU, LI, LV, MT, PL), efforts aiming to increase the availability of childcare are more recent. Finally, for a number of countries (BG, CZ, EL, ES, HR, IE, IT, LT, MK, RO, RS, SK, TR, UK), experts' overall assessments are decisively critical. The major weaknesses they identify concern the availability, affordability and quality of childcare. Furthermore, in a number of these countries, they detect signs of further retrenchment due to fiscal consolidation measures. When it comes to the financing of childcare measures and programmes, several experts highlight the role played by EU Funds (e.g. CZ, EL, HU, LT, PL, SK). We elaborate on these four clusters of countries in Section 3.2.

Besides the availability of childcare facilities, the presence of well-designed (i.e. generous and sufficiently flexible but not excessively long) maternal/ paternal/ parental leave schemes is expected to play a key role in encouraging parents' (mothers' in particular) participation in the labour market. Looking at the specific features of the leave schemes implemented in European countries, a complex and varied situation emerges. In a number of countries (e.g. CY, DE, EL, FI, IS, LV, NL, NO, RO, RS, SE, SI), the national experts assess positively the leave schemes, and their length and generosity do not seem to represent a work disincentive for mothers. All in all, the evidence provided by the national reports does not allow any clear-cut assessment about possible work disincentives deriving from the presence of long and generous leave schemes. On the contrary, in this respect, most experts stress that – irrespective of the length of leave schemes – a key role in facilitating parents` employment is played by the availability of childcare and notably by the absence of gaps between the end of parental leave and the availability of ECEC. Finally, most reports highlight existing shortcomings when it comes to the promotion of a gender-balanced use of leave schemes. In a few countries there is no statutory entitlement to paternity leave. On the other hand, as for parental leave, mothers generally use these options much more than fathers and for longer periods. According to some experts, the low replacement rate of some parental leave may be one of the reasons affecting fathers' take-up and indeed in many countries (e.g. CY, HR, IE, LU, MT, UK) parental leave is unpaid or the replacement rate is low. We come back to these issues in Section 3.4.

If the reference to social investment looks obvious in the analysis of care for children and leave schemes for parents, it becomes more questionable when considering long-term care (LTC) for the frail and elderly. Indeed, the main objective of this policy is the well-being of very old and frail people, an objective that is a long distance from the idea of social investment. However, new policies for increasing active ageing, for increasing healthy life as long as possible, prevention and rehabilitation have marked a turning point in recent years. Furthermore, the socio-economic position of the non-paid informal helper or carer becomes central for a general objective of increasing the participation in the labour market, especially for women. A key characteristic of LTC policies is the huge unequal formal care to the elderly, largely due to differences of wealth between countries but also because of historical lags in the development of care services. Thus, on the one hand there are a variety of countries (e.g. BE, DK, FI, FR, IS, IT, NL, NO, SE, UK), which have built a large range of services and allowances while, on the other hand, there are many countries (e.g. BG, CY, CZ, EE, EL, HU, LV, MT, PL, PT, RO, RS, TR) in which LTC policies are described as "underdeveloped". Care at home remains a common social priority and a guideline for the development of LTC policies. However, we can note some differences and ambiguities (or complementarities) between two tendencies: either to develop professional social services to the elderly at the local level or to facilitate the presence of a family member as a carer and to create a form of compensation (allowance, social rights). Furthermore, the collective and political choices during recent years have come under the pressure of economic difficulties in many countries, and the consequent short-term austerity policies have stopped, re-oriented or postponed reforms in progress. These issues are further developed in Section 3.3.

3.2. Childcare

Besides promoting children's development, the availability of accessible, affordable and quality childcare services plays a key role in facilitating parents' – especially, mothers' - employment. In this respect, European countries have different starting points, often depending on the importance attached to the reconciliation of work and family life in the various welfare regimes. Evidence provided in the independent experts' national reports allows us to identify four clusters of countries.

The first cluster includes "historical forerunners" (DK, FI, IS, NO, SE) and Slovenia. In the experts' assessment, these countries are particularly successful in ensuring wide-scale access to quality childcare at affordable costs. In Denmark, disadvantaged families' access to these services is ensured through discounts and highly-reduced fees and – according to the national report - availability, price or quality of childcare are not mentioned by Danish mothers as reasons for not working or working only part-time[17]. In Finland, Iceland, Sweden and Slovenia, access to childcare is an entitlement or "right". In Sweden, municipalities are obliged to offer childcare for children from the age of 1 to the age of 6, while in Slovenia access to full-time childcare in pre-school day-care centres is guaranteed after the end of parental leave. "Reliable and well-functioning childcare" is considered by the Finnish experts as one of the most important forms of support facilitating parents' participation in the labour market. The Finnish system is organised around two pillars: formal care and "home care allowances" ("cash for care" option). The latter is widely used by Finnish parents even if some of its features may entail problems in terms of labour market integration and poverty prevention, especially for mothers (the latter being, in 84% of cases, the beneficiaries of such allowances). Iceland has one of the highest employment participation rates for females, which is greatly facilitated by nearly universal access to high quality and affordable childcare services from early age (2+). In Norway, a massive effort has been made in the recent decade to achieve full coverage with relatively cheap, high quality ECEC and giving it status of a legal right for children above the age of one. These universal policies have further been supported by more targeted efforts to improve take-up by immigrant families in the metropolitan areas. On the other hand, a cash-for-care allowance to incentivise parents to take care of toddlers at home has been maintained and recently improved, with the likely effect of reducing the take-up of ECEC among immigrant families

The second cluster includes countries where attention to the provision of childcare has significantly increased over the last decades (AT, BE, CH, DE, FR, LU, NL, PT, RS). Looking at such developments, the overall experts' assessment of these countries is rather positive; however, they identify remaining shortcomings and areas for improvement. In the last decade, important investments in childcare have been undertaken in countries such as Austria, Belgium and Germany. Despite increasing

[17] In Denmark, the employment rate of mothers (25–49 years old) *with* children below 12 is slightly higher than the employment rate of women (25-49) *without* children.

coverage rates, experts point out remaining shortcomings concerning inadequacy of supply (e.g. AT, BE, LU), costs (e.g. AT, DE), quality (e.g. DE), and territorial disparities in availability and accessibility of services (e.g. AT, RS). In Germany, the Federal Government has recently introduced the legal right to early childhood education and care (ECEC) for every child between one and three years of age. Yet, as pointed out by the national expert, the contextual introduction of a "care payment" for people who do not claim day care may be counter-productive, insofar as it may entail some disincentives to access childcare services, especially for low-educated and low-income parents or parents with a migrant background (whose participation rate in day care facilities is already below the average). Furthermore, the German experts point to the tendency of municipalities to shift part of the financial burden to the parents by raising the daily cost of care services, a choice which mainly affects the enrolment of children from low-income/ low-educated families, the latter often ignoring or not taking advantage of existing reductions. In Luxembourg, investment in childcare per inhabitant is among the highest in the EU, and shows an increasing trend. Nonetheless, despite subsidies for low-income families, these services are still rather costly. This is a problem especially for households earning an income slightly above the threshold for exemptions[18]. In the Netherlands, parents directly receive childcare subsidies or allowances but - as reported by the national expert - the high cost of formal childcare limits the use of institutionalised childcare services[19]. Recent cuts in payments to parents - coupled with the effects of the crisis on households' budgets- have entailed a decrease in the take-up of day-care services and an increasing number of families are searching for alternatives to institutionalised care facilities. Overall, in the opinion of ESPN national experts, quite a lot of attention is devoted to the topic of childcare in these countries, and measures to improve childcare provision have been recently implemented or are on the agenda (e.g. AT, BE, FR, LU). There are concerns, however, in relation to recent decisions aimed at budget savings (e.g. BE, NL, PT). In Belgium, in 2014 the Flemish government decided to substantially increase the minimum daily fee: according to some observers, such a decision will disproportionately affect the most vulnerable families, possibly resulting in more parents choosing to stay at home instead of going to work. In Portugal, a programme which had led to an increase in the availability of childcare facilities for children aged 0-3 (the "PARES" programme) was recently abandoned due to budget constraints. Also, measures implemented in Portugal since 2012 have been aimed at raising the capacity of existing childcare facilities by allowing a higher number of children in each room, thus raising concerns about the quality of services offered.

In a third cluster of countries (CY, EE, HU, LI, LV, MT, PL), efforts aiming at increasing the availability of childcare are more recent. In Cyprus, targeted programmes aimed at subsidising part of the cost of childcare for categories of people most at risk (namely, single mothers, economically inactive women, the unemployed) have been implemented. In Estonia, childcare services –either in the form of pre-school institutions or "non-educational childcare" - must be offered to parents after the end of parental leave. Their maximum cost is regulated by the State. Similarly, in Latvia local authorities must provide access to pre-school education to children from the age of 1.5, and the cost of these services is relatively low. In both Baltic countries, long waiting lists were a problem, which has been recently addressed by facilitating the access to "non-educational childcare" in Estonia (since 2014), and through the introduction and temporary co-financing (2013-2015) of childminder services in Latvia. Also, relying on support from EU Funds, Poland has recently implemented measures aimed at increasing the supply of childcare facilities, including incentives for

[18] The national expert notes that the (announced) decision of the Luxembourg government to ensure access to free childcare during school hours should help to overcome part of this problem.

[19] In the Netherlands, formal childcare means care in a day centre (0-4 year olds), and out-of-school childcare facility (4-12 year olds) or with a registered child-minder (0-12 year-olds). Primary schools are obliged to offer out-of-school childcare services (either provided by themselves or by other organisations). The childcare allowance is linked to the number of hours worked by the parent with the least work, and to the household income.

the creation of company-based care facilities[20]. Mandating children's participation in pre-school education for 5-year olds also leads to an increased effort to provide childcare coverage in Poland. In Malta, the right to free childcare for working/studying parents was introduced in 2014. As pointed out by the national expert, in the coming years this reform is likely to boost figures for children in formal childcare, the latter being relatively low in Malta due to historical reliance on (increasingly scarce) grandparents' care. In Hungary, kindergarten fees (from the age of 3) are quite moderate, and depending on the financial situation and the number of children there is a 50% or 100% reduction. From September 2015 on, from age 3 years, kindergarten attendance will be compulsory to ensure especially the participation of children from disadvantaged backgrounds and enhance their preparation for school and contributing to making up for their disadvantages. Under 3 years of age, the availability of crèches –as a result of the long maternity leave - is limited but improving.

The fourth cluster includes countries whose performances have been negatively assessed by the national experts (BG, CZ, EL, ES, HR, IE, IT, LT, MK, RO, SK, TR, UK). In the experts' views, these countries show serious shortcomings concerning the availability (e.g. BG, CZ, EL, HR, IE, IT, LT, MK, RO, SK, TR), affordability (e.g. BG, HR, IE, IT, MK, RO, TR, UK) and quality (e.g. BG, HR, MK, RO, SK, TR, UK) of childcare. Besides the overall negative judgment, however, some nuances do emerge. In some cases (e.g. CZ, EL, HU, IE, RO), besides pointing to the inadequacy of childcare provision, experts also highlight some recent, promising, developments. The establishment of a fund for increasing the capacity of public childcare services was recently announced by the Czech government, while a programme for the "reconciliation of family and professional life" has been implemented in Greece. The Hungarian experts report an increase of spending on childcare between 2008 and 2012, and a slow and moderate growth of facilities for children aged under 3. In Ireland, a pilot scheme aimed at offsetting some of the after-school childcare costs was introduced at the national level in 2013. In Romania, despite a significant underfinancing of educational services, local and NGO initiatives have emerged (mostly financed with EU funding) to increase supply of childcare, though these are still insufficient to address regional barriers and eliminate access barriers for vulnerable families. Yet, in other cases (e.g. ES, IT), experts clearly detect signs of further retrenchment due to fiscal consolidation measures. In Spain, a programme which had led to an increase in the availability of childcare facilities for children aged 0-3 (the "Educa3" programme in Spain [see Chapters 1 and 2 above]) was recently abandoned due to budget constraints. In Italy, the National Fund for Childhood and Adolescence, which plays an important role in fostering integrated child well-being projects in large metropolitan areas, has been continuously cut since 2008. In Turkey, lack of childcare facilities is widely acknowledged in policy discussions regarding female labour force participation. Policies have been proposed but have not been implemented yet.

3.3. Long-term care and social investment

The concept of social investment in the field of long-term care highlights some key objectives and promotes specific social policies: prevention from disabilities and rehabilitation on the one hand, improvements in the quality of care staff on the other hand. It is often summarised as follows: the more extended is long-term care (LTC), the more middle-aged and older women work (SE, DK, FI, IS, NO, NL, BE). For several decades, LTC has been defined as a new social risk resulting from cumulative demographic, economic and social factors. A fast growing number of people aged 80 and above, and the decline of fertility rates in many European countries, have dramatically changed the demographic structure of the population, the intergenerational relationships and the redistribution of roles and transfers within the

[20] Besides Poland, the role of the EU Funds in supporting the development of childcare facilities/ programmes is stressed in the Hungarian, Greek, Czech, Lithuanian, and Slovakian experts' reports.

family. The gradual increase in pension levels has largely improved the economic and social autonomy of the retired, which has engendered a deep process of "de-cohabitation" between the generations, especially between adults and their parents within the family. This long-term trend, combined with the necessary mobility of the active population, urban life and new types of housing, has increased the number of old people living alone. Furthermore, the growing female activity on the labour market has reduced the traditional and potential informal or volunteer work force available to help their elderly parents or spouses.[21]

The ESPN experts note that European countries remain confronted with this tension between growing care-needs and the reduction in the potential informal supply of care, and have pursued a very wide range of different social policies - from the traditional model of family solidarity (e.g. BG, CY, EE, EL, HR, HU, LV, PL, PT, RO, RS, SK, TR), very often in a development process towards a more comprehensive universal welfare state (e.g. BE, DK, FI, FR, IS, LU, NL, NO, SE, UK). For example: a "National Strategy for Long-Term Care" was adopted by the Bulgarian government at the end of 2013; the Hungarian long-term care system saw a rapid increase in home-based care between 2008 and 2013; Portugal has launched several programmes of enlargement of services (PARES, SAD, ADI); a future Polish governmental programme "Senior Wigor" foresees the creation of day care centres; etc. However, many experts emphasise that the long-term development of social policies concerning the disabled, especially the frail elderly, still faces serious challenges which are exacerbated by the recent national policies of fiscal consolidation in the public sector.

3.3.1. Long-term strategies and challenges

The traditional model of a non-working housewife still remains dominant in a number of countries, and LTC is largely considered a "family affair" (BG, CH, CY, CZ, DE, EE, EL, HR, IE, LI, LV, PT, RO, RS, SK). Even in countries which have established a national LTC policy (e.g. DK, FI, NO, SE), care of the elderly is to a large extent provided by family members.

Faced with fast-growing care needs and insufficient informal supply, European countries have built strategies around a formal care sector with one priority: the creation and the extension of home care services (noted by all ESPN experts) and a reduction in the number of residential homes in some countries today, a process of deinstitutionalisation (BG, CZ, LT, LV). Few experts note exceptions: Malta, in which the church and female religious organisations run homes; Portugal (Programme PARES), with the creation of new homes for the elderly. The objective is that frail, elderly people should receive help mainly in their own home. For example, on 1st January 2015, the Netherlands decided to enhance the provision of informal care and the organisation of volunteers. However, these LTC policies face certain serious organisational difficulties. The development of LTC has been carried out in a fragmented fashion, with responsibility split between the healthcare sector and the social care sector (e.g. BE, BG, CZ, EE). The reasons for this fragmentation are the differences between organisations' objectives and the lack of necessary skills. This has prevented efficient coordination or the development of a new type of policy. This is combined with vertical fragmentation, with competencies split between different institutional tiers (e.g. BE, CZ, ES): the state, regions and municipalities. The national experts report a trend towards decentralisation of the organisation of LTC towards the regions in some countries (e.g. BE, CZ). In all countries, the organisation of home care services is decentralised to the local level, municipalities (and NGOs). This is generally justified by proximity with, and a better knowledge of the needs of frail people. Nonetheless, the consequence is an unequal access to and supply of services, which depend on the local organisation of the services. Therefore, countries need to

[21] Social Protection Committee and the European Commission Services (2014), *Adequate Social Protection for Long-Term Care Needs in an Ageing Society*, Brussels: European Commission.

create processes of coordination or harmonisation to tackle this problem of ineffectiveness and inequity.

In many countries (e.g. EL, HR, IE, PL, RO, RS, TR), the organisation of formal LTC is underdeveloped. For example, it is described as "minimalistic" in Ireland. In Italy, instability and scarcity have always characterised the financing of a national fund that constitutes the main mechanism for LTC social services managed by regional and local authorities. This shortage of services and long waiting lists (LI, LT, LV, SK) have stimulated a non-formal labour market in care provided by immigrants in a precarious position, which is becoming more and more frequent in certain countries (e.g. CY, EL, ES, IT). Many experts (e.g. BE, IT, LU) note a tendency to create and to extend cash benefits rather than, or in addition to, local home care services. These allowances can be used to finance a professional carer or to reimburse the services of an informal carer, often a relative (AT, DE, FR, LU). The objective of this allowance is to give a choice to the recipient, but it has been severely criticised because it can also be an incentive for women to withdraw from the labour market (e.g. NL, PL), and is incompatible with another objective: increasing the rate of employment among women aged 55-65. This tendency is reinforced by attempts to give informal carers some of the social advantages of an employee (such as a "carer's pension" scheme in Malta). Another option ("Act for a better reconciliation of family, care and work" [2015] in Germany) has been to improve the legal entitlement to care leave and/or to reduced working hours up to 24 months, with a guaranteed right of return from temporary part-time to full-time work.

The national experts' reports (with some rare exceptions) note that a consequence of economic austerity policies has been the halting in the long-term development of the formal care services sector. Fiscal consolidation has become a new short-term priority with long-term objectives. The first measures that were implemented halted the trend towards an increase in extended services, and sometimes local authorities have been obliged to downsize the supply of services. In Lithuania, expenditure on home care services has decreased (-12%). Ireland has experienced dramatic cutbacks in healthcare and has reduced LTC provision. Portugal has postponed the implementation of a Long-Term Care network, although this was established (in 2011) in line with international recommendations. The immediate consequence has been an increase in waiting lists.

The downsizing of the supply of services has been "adjusted" by tightening up the eligibility and accessibility criteria for LTC services (e.g. EE, IE, UK). Local services have become limited to the greatest needs, to the most severely handicapped or disabled, which weakens the preventive policy and threatens women's participation in the labour market. In fact, the main concern in many countries is the lack of assessment of the social consequences of fiscal consolidation, which are seen by several ESPN experts as a factor of "social disinvestment".

3.4. Maternal/paternal/parental leave schemes

Coupled with the availability of childcare services, well-designed maternal/ paternal/ parental leave schemes should play a key role in ensuring children's care and, at the same time, encouraging parents' participation in the labour market. Importantly, these should not constitute a disincentive, especially for women, for (re)entering the labour market. From a social investment perspective, three aspects of these schemes appear particularly important: their adequacy (in terms of length, generosity and flexibility), their capacity to promote gender equality in caring for children, and the link with child-care services.

Maternal/ paternal/ parental leave arrangements across Europe are so varied that any detailed comparison would be impossible in this report. This said, there is a positive trend evident in a number of countries which leads to an overall positive assessment of domestic leave schemes in ten national reports (CY, DE, FI, IS, LV, NO, RO, RS, SE, SI). In the opinion of the experts, in these countries the length and generosity of existing schemes are not a work disincentive and a range of options are often offered to parents. Besides the four Nordic countries, Cypriot schemes have been defined as "adequate", insofar as they provide parents with enough paid and unpaid leave to care for children. The Latvian family support system has been defined as "rather sophisticated" and the impact of parenthood on parents' employment opportunities is gradually decreasing with mothers becoming more active in labour market. The German expert points to the reform of parental leave schemes enacted in 2007, which had "positive, significant and large" effects on mothers' employment opportunities, even if there are still problems in relation to low income families and families with many children. The presence of "generous" maternal, paternal and parental leave is considered (together with a well-developed childcare system) as "the main factor supporting parents' labour market participation" in Slovenia. In Serbia, a new Labour Law (2014) positively addressed a problem of employed pregnant women and mothers on maternity leave in keeping their job during this period.

The Romanian parental leave scheme has been described by the national expert as "one of the most generous and long-term across Europe". Its length and generosity do not seem to represent a work disincentive for women with children as employment rates among women with children less than 6 years are higher than the average employment rate across Europe for this category.[22] Conversely, the length of maternal/parental leave is considered an obstacle to women's labour market participation in the Czech Republic, Estonia, Hungary and Slovakia, while in Croatia the lack of flexibility of existing leave schemes and their "confusing" rules are questioned.

A more negative trend is highlighted by a number of experts. They point to serious deficiencies in domestic leave schemes or express concerns about recent developments linked to the socio-economic situation (e.g. EL, ES, IE, IT, UK). Apart from maternity benefits, existing employment leaves for parents in Ireland have been defined as "minimalistic and gender specific": there is no statutory entitlement to paternity leave and parental leaves are unpaid. In the UK, maternity leave is "long, mostly not well paid", while paternity leave is "short, badly paid" and with a low take-up rate. Conversely, maternal and parental leave in Greece is rather generous, although there are significant differences between the public and private sector. However, as pointed out by the national expert, the current labour market situation and the increasing job insecurity may have had a negative impact on the take-up rate of those schemes for private sector workers. In Spain, fiscal consolidation measures have truncated recent progress concerning the reinforcement of gender equality in parental leave, while in Italy, resources for national funds supporting equal opportunities between women and men have been cut.

As stated above, from a social investment perspective the promotion of gender equality and the link with childcare services should be two features characterising well-functioning employment leave schemes. With regard to the former dimension, explicit concerns have been expressed by a number of experts (AT, ES, HR, IE, IT, LI, MT, NL, PL, UK). Paternity leave schemes do not exist in several countries (e.g. CH, CZ[23], HR[24], IE, PK, SK, TR). As for parental leave, several reports highlight that such schemes often fail when it comes to promoting gender equality, insofar as the take–up is generally imbalanced, with mothers having recourse to these options much more often than fathers and for longer periods (e.g. DK). As reported by the UK experts, "international evidence shows that increasing take-up of leave by fathers requires it to

[22] This is in spite of the fact that there is a high scarcity of childcare for children up to 3 years.

[23] Paternal leave (specific period reserved for fathers) does not exist in CZ. However, except for the first 7 weeks after child birth, fathers are entitled similarly as mothers for family leaves (maternity and parental leave).

[24] While there is no paternal leave as such in Croatia, parental leave can be divided between mothers and fathers.

be well paid (60%-80% wage replacement level), provided on a 'use it or lose it' basis, and to be labelled as leave for fathers rather than parental leave'[25]. Portugal is a good example of a well-paid leave. There are two major types of parental leaves in this country: the Initial Parental Leave and the Father's-only Parental Leave (daily allowance of 100% of the average daily wage in both cases). Both the mother and the father can benefit from the Initial Parental Leave. The leave can last between 120 and 150 calendar days (the daily allowance is reduced to 80% of the average daily wage). Concerning the Father's-only Parental Leave, it is addressed for fathers and lasts 20 working days, 10 of which are compulsory and must be taken during the first month after birth. An extra voluntary 10 days may be taken by the father during the initial parental leave of the mother. However, in several countries (e.g., CY, HR, IE, LU, MK, MT, UK) parental leave is unpaid, or the wage replacement level is low. Liechtenstein is missing equal opportunities for father parental leaves. This would be required to increase take-up of fathers' leave Take-up of fathers' leave would also increase if fathers' leave was presented as a positive and supportive measurement for the family, and its perception by the employer as an enriching experience.

When it comes to the link with childcare, the existence of a gap between the end of parental leave and the availability of ECEC has been stressed by ESPN experts in Austria, Croatia, Greece, Luxembourg, Romania and the UK (see also above and Section 2.2).

In recent years (post-2010), several countries have undertaken reforms of parental leave schemes, aiming to address gender balance (e.g. FR, IT, PL, RS, SI, UK), increasing the length of some schemes (e.g. BE, LV, PL), introducing elements of flexibility or work incentives (e.g. BE, CZ, DE, HU LV, MT, NL, PL) or extending coverage (e.g. HU, IT). For instance:

- in 2012, Belgium extended the length of parental leave by one month. Furthermore, employees can request an adapted work schedule for a maximum of six months after taking parental leave;
- in the Czech Republic, flexibilisation of the parental leave scheme was intended to increase the options to combine work and family for parents (mainly for mothers), and to motivate earlier entry into the labour market than was the case before;
- the French parental leave scheme was recently reformed by extending the maximum period of entitlement, provided that both parents take up the benefit;
- in Germany, the new "Parents' benefit plus" in force since 2015 extends the period for receiving benefit when parents work part-time;
- in 2014, Hungary introduced the "Childcare allowance extra". Under the new legislation, mothers with children aged at least 1 can be employed while also receiving either the childcare allowance or the childcare fee. Furthermore, under certain conditions, eligibility for the "childcare fee" has been extended to students in full-time tertiary education and newly graduated students;
- in 2012, Italy introduced (rather short[26]) paid paternal leave measures to support the employment of mothers (vouchers to purchase baby-sitting services or ECEC) and to encourage a more balanced take-up of parental leave (by extending the total duration of the benefit when fathers apply for at least three months). Furthermore, in 2014 the rules regarding maternal leave and the return to work for women employed with fixed-term contracts were harmonised with the rules for women with open-ended contracts;

[25] Cited in Equality and Human Rights Commission (2009) *Working Better*: http://www.equalityhumanrights.com/uploaded_files/working_better_final_pdf_250309.pdf.

[26] One day of mandatory, paid leave after the child's birth plus two days optional paid leave within five months.

- in 2014, Latvia extended the duration of parental benefits and introduced some elements of flexibility. Furthermore, parents who continue to work can receive part of the benefit;
- in the 2015 budget, Malta announced the creation of a new fund to assist small firms. Maternity leave benefits will be paid through such a fund to which each employer will contribute with a fixed but relatively small amount. The rationale is to minimise the burden of maternal leave on small firms and to remove obstacles to hiring young women;
- in 2013, Poland enacted a reform extending maternal leave and introducing more flexibility. A new parental leave scheme, increasing fathers' entitlement, was also introduced;
- in 2014, Slovenia adopted the "Parental Protection and Family Benefit Act", aimed at increasing the caring role of fathers and removing obstacles associated with hiring young women. Under the new law, parental leave is an individual entitlement and each parent is now entitled to the same amount of leave days;
- in 2012, Romania introduced a non-transferable one-month parental leave (of the up to two years' long parental leave) for the second (working) parent. This month is non-transferable, and while not explicitly directed towards fathers, it was supposed to encourage men to take up at least one month of the parental leave. The proportion of men among beneficiaries increased to 21% in 2014. In addition, in 2011, Romania redefined and increased fivefold the work insertion bonus attached to the parental leave scheme, thus strengthening its work incentive potential;
- in April 2015, the "Shared Parental Leave" scheme, with Statutory Shared Parental Pay, is being introduced in England, Scotland and Wales, aimed at promoting a more balanced division of responsibilities between partners. However, due to the low replacement rate, especially after the first six weeks of earnings related pay, the UK experts do not expect a high take-up rate among fathers.

4. POLICY MEASURES TO ADDRESS SOCIAL AND LABOUR MARKET EXCLUSION

In this chapter, we consider four policy areas: unemployment benefits, minimum income, Active Labour Market Policies (ALMPs) and social services. Unemployment benefits and minimum income schemes play a key role in protecting people when they are in a situation of particular vulnerability. Yet they should be designed in a way that – besides ensuring that people have an adequate standard of living - also promotes their full inclusion in society and (re-)integration in the labour market. In this respect, the link between these benefits and Active Labour Market Policies (such as job-search assistance, training, life-long learning) appears particularly important. Finally, the availability and quality of activating and enabling social services is a precondition for the implementation of comprehensive and integrated social investment strategies.

4.1. Overall approach and interactions between policy areas

Evidence emerging from the national reports shows alarming trends in terms of the adequacy of both unemployment benefits and minimum income schemes implemented in the countries. With respect to the former, in many countries national experts assess the level of unemployment benefits as low and insufficient for protecting unemployed people from the risk of poverty (e.g. DE, EE, EL, HU, IE, LT, RO, TR, UK), whereas in other countries they highlight the low coverage of these schemes (e.g. BG, CZ, DE, EE, EL, HU, HR, LT, LV, PL, PT, RO, RS, SI, TR). While, in most countries, this result is the consequence of long-term trends, in a number of cases national experts also point to more recent changes aimed at reducing the level and/or duration of these benefits, and/or at tightening eligibility conditions (e.g. BE, CZ, EL, ES, IE, HU, PT, RO). Conversely, in some cases reforms implemented over recent years have involved an extension of the coverage of unemployment benefits (e.g. EL, IT, PT, SI).

The decline in the duration and coverage of unemployment benefits has entailed a growing pressure on minimum income schemes. With regard to these, it should be noted that - taking the at-risk-of-poverty (AROP) threshold as a benchmark - the level of benefits provided by the various schemes is (often much) below the poverty threshold in virtually all the European countries, though to a varying extent (for instance, the inadequacy of these benefits is stressed in countries such as BG, EE, HU, PL, RO). However, while they are seldom sufficient to lift people out of poverty, these schemes are fundamental in reducing its intensity. In the post-2010 period, a number of countries have implemented (e.g. AT, ES, HR, HU, PT, RO, SI, UK) or announced (e.g. FR, LU, LV) reforms of their minimum income schemes, while in the two EU countries which lack nation-wide schemes (EL, IT) pilot experiments are on-going. Experts' opinions about these reforms differ, with some experts expressing an overall positive assessment (e.g. AT, CY, SI) and others pointing at negative aspects (e.g. ES, HU, PT, UK).

An increasing emphasis on recipients' labour market integration is a common trend characterising minimum income schemes (as well as unemployment benefits) implemented in European countries. From a social investment perspective, successful activation strategies should rely on the availability of a broad range of ALMPs measures (especially training programmes) and of quality social services able to link benefits and services offered to social assistance recipients and to offer tailor-made support (e.g., through the adoption of "one-stop-shop" arrangements). In this respect, mixed evidence emerges from the national reports:

- a number of countries show relatively high expenditure on ALMPs and offer a broad range of measures (e.g. AT, BE, CH, DK, FI, FR, IS, NL, NO, SE). For instance, the Austrian experts point to the presence of an "elaborated and differentiated system of ALMPs" (including qualification, employment promotion, and support measures), with a special emphasis given to programmes targeted at young people. Most of these programmes are provided by Public Employment Services. The Finnish and Icelandic experts highlight the availability of several policy rehabilitation measures (often free of charge) including medical rehabilitation, rehabilitative work experience, vocational rehabilitation, rehabilitative psychotherapy, social rehabilitation, etc.

- At the other extreme, serious shortcomings concerning ALMPs and/or the availability of quality services are stressed by national experts (e.g. CZ, ES, HU, IT, LT, PT, RO, RS, SK). In most of these countries, spending on ALMPs is relatively low and tends to be concentrated on specific measures such as public work schemes (e.g. HU, LT) or subsidised employment (e.g. ES, IT, RO, SK), while expenditure on training is low and even declining (e.g. ES, PT, RO, SK). Furthermore, in some cases (e.g. ES, HU, LT, PT, RO), national experts stress aspects such as the lack of comprehensive and integrated ALMPs strategies, the quality of social services and their availability across the national territory, or also an insufficient coordination between social and employment services. In some of these countries (e.g. EL, ES and IT but also BE), serious concerns are expressed as to the impact of fiscal consolidation measures on social services.
- Finally, in a number of countries (e.g. CY, EE, EL, IE, HR, LU, LV, MT, SI) - despite comparatively low spending- a recent increase in the attention given to ALMPs is noted by national experts. According to the experts' assessment, in some cases (e.g. HR, IE, SI), steps have recently been taken towards the development of synergies between employment and social services and the creation of one-stop-shop arrangements.

It should also be noted that several national reports (e.g. BG, EE, EL, ES, HR, LV, PL, RO, RS, SI) explicitly highlight the role played by EU funds (notably, the ESF) in financing ALMPs.

4.2. Unemployment benefits

As is obvious, changes in expenditure on unemployment benefits may stem from a variety of factors, including changes in the unemployment rate, eligibility conditions, or generosity of the schemes. With this caveat in mind, one can notice differences between European countries in terms of both the level of expenditure on these benefits and the expenditure trends observed in recent years. For example, while no significant variations were registered in Austria, expenditure during the crisis years increased in both Cyprus and Italy (in the latter case, spending on shock absorbing mechanisms doubled between 2008 and 2013). However, over the same period expenditure decreased in countries such as Greece, Hungary and Romania.

Worrisome trends emerge when one considers the adequacy of unemployment benefits, i.e. their capacity to ensure that unemployed people can afford a decent living. Several national reports highlight the fact that reforms and changes undertaken over recent years have entailed cuts in the amount and/or duration of these benefits (e.g. BE, CZ, DK, EL, ES, IE, HU, PT, RO). Furthermore, in many cases eligibility conditions have been tightened and benefits have been made more conditional. Importantly, while these developments have often been the consequence of fiscal consolidation measures implemented in the context of the economic crisis, it should be noted that, on the one hand, they do not only concern the countries hardest hit by the crisis and, on the other hand, that they have sometimes been part of a longer trend, which began well before the crisis. For example, the Swedish expert points to the "deterioration" of Swedish unemployment insurance, which has been lagging behind the development of earnings since 2002, and has also been showing a reduction in coverage. In the UK, by 2009 - and relative to the average level of consumption - the Jobseeker's allowance was only worth half what it was 30 years before. As noted by the German expert, "the shortening of the period of benefit receipt for elderly unemployed and the replacement of the former unemployment assistance by the basic income support for job-seekers in the Hartz reforms have contributed to the fact that only a minority of (mainly) short-term unemployed people are currently protected by [the] insurance-funded benefit".

All in all, national experts seriously question the adequacy of unemployment benefits in many cases. The level of the benefits appears low in several countries and it is often not sufficient to protect people against the risk of poverty (e.g. EE, EL, HU, IE, LT, RO, TR, UK). For instance, the Estonian experts state that the replacement rates of unemployment benefits are low and there is a relatively high poverty risk among the unemployed. The Hungarian experts note that the amount of the Employment Replacement subsidy (January 2012 values) decreased from 100 per cent of the minimum pension to 80%, and further decreases are planned; the AROP rate of unemployed persons increased from 44.9% in 2010 to 50.8% in 2013. In Lithuania, the average amount of the benefit is about 50% of the minimum wage, with the maximum level not exceeding €300 (about 30% above the AROP threshold for single persons): in 2013, 61% of the Lithuanian unemployed were at risk of poverty (cf. Annex A3, Table C15c). The Romanian experts note that the unemployed was the only category for which the severe material deprivation rate increased during 2013 (and, as shown by Table C15c, in 2013 51.1% of the Romanian unemployed were at risk of poverty). In Ireland, the statistics show, for example, a decline in the net replacement rate of unemployment benefits from 57% in 2008 to 53% in 2011. Furthermore, the coverage of unemployment benefits is often limited (e.g. BG, CZ, DE, EE, EL, HU, HR, LT, LV, PL, PT, RO, RS, SI), especially for the long-term unemployed.

Against such a worrisome backdrop, a few recent reforms involving some extension of unemployment benefits should be pointed out:

- in Greece, in 2014, eligibility for receiving the long-term unemployment benefit, which is €200 and lasts for 12 months, was extended to cover the age group 20-66 (before only the age group 45-65 was covered) meeting certain income criteria while the unemployment benefit was extended to cover unemployed freelancers (up to 9 months, subject to strict eligibility criteria);
- in Italy, a major reform (2012) of unemployment benefits was a step towards a more inclusive income protection for the unemployed, trying to better cover outsiders (e.g. atypical workers), and a new reform of the shock-absorbing system (the 2014 "Jobs Act") strengthened also the activation of unemployment benefit recipients;
- in Portugal, unemployment protection has recently been extended to self-employed workers fulfilling certain requirements;
- in Slovenia, besides introducing a cap on the maximum amount of unemployment benefit and a reduction in the replacement rate after the 13th month of unemployment, the "Act Amending the Labour Market Regulation Act" (2013) has extended the entitlement to unemployment benefits to persons below 30 years of age who have paid insurance contributions for at least 6 months in the preceding 24 months.

4.3. Minimum income

In assessing the adequacy of minimum income schemes, one should keep in mind that, on the one hand, often these benefits are not the only source of revenue for low income families and, on the other hand, that the amount of the benefits (and, therefore, their adequacy) varies according to the composition of the household. This said, minimum income schemes available in European countries are usually insufficient to lift the recipients out of poverty. For instance, the German experts point to the fact that Germany currently has the highest poverty rate among the unemployed in the EU. However, many experts stress that these schemes generally play a key role in reducing the intensity of poverty. Taking the at-risk-of-poverty threshold (AROP) as a benchmark, the level of benefits provided by the various schemes is below this threshold in virtually all European countries, though to a varying extent. For instance, in countries such as Bulgaria, Estonia, Latvia, Poland and Romania, the schemes appear particularly inadequate. In Estonia, the minimum income benefit does not prevent people from falling below the absolute poverty line. In Poland, the level of the Social Assistance benefits often fall below the subsistence minimum, and payments are sometimes delayed or limited due to a lack of funds. In 2013, the level of the Romanian minimum income was 3.4 times lower than the AROP threshold for a single person. Conversely, Iceland has a Social Assistance allowance (the lowest minimum income guarantee) that has been close to the 60% poverty line since 2011. Previously it was lower than the poverty line.

Looking at the post-2010 period, it is clear that a number of countries (e.g. AT, DE, ES, HR, HU, PT, RO, SI, UK) have implemented reforms of their minimum income schemes. In other cases, reforms are at a pilot stage (e.g. EL, IT) or have been announced (e.g. FR, LU, LV).

Both Greece and Italy, two countries where there are no comprehensive minimum income schemes with nation-wide coverage, are in the process of experimenting with small scale pilot projects. In Greece, a pilot "Guaranteed Social Income" scheme is being implemented in 13 municipalities. Even if it is too early to assess its possible impact, according to the national experts the pilot scheme contains positive elements such as the provision of support services for the re-integration of the beneficiaries into the labour market. As for Italy, a range of mechanisms for income support have been introduced since 2008: the "old social card", the "new social card" and the "inclusion card". While the "old social card" basically consists in a pre-paid shopping card to cover costs such as food, electricity and gas, the features of the "new social card" and of the "inclusion card" are closer to a typical minimum income scheme. The latter measure is at an experimental stage, with a view to a possible up-scale to the whole national territory. However, in the experts' view, implementation of a comprehensive national framework for minimum income provision does not seem to be a priority in the agenda of the Italian government: "on the basis of resource allocation, the old social card has been favoured over the introduction of a stable national minimum income framework". In Turkey, reforms to introduce a minimum income scheme were still in progress in 2014.

At the end of 2014, the French government announced the basic features of a reform aimed at creating an "Activity allowance" replacing the "Employment allowance" (*Prime pour l'Emploi*) and the "Active Solidarity Income" (*RSA activité*). In Luxembourg, preparatory work for a reform of the domestic minimum income scheme is underway, The reform aims at better targeting the specific needs of the beneficiaries and, in order to do so, the new benefit will consist of different components (covering the basic necessities per person, the fixed costs per household, the real cost of housing, and dependent children). Furthermore, work is ongoing on the establishment of reference budgets.

When it comes to recent reforms and changes, experts' opinions differ. In some cases (e.g. AT, CY, SI), an overall positive assessment emerges:

- in Austria, a "Guaranteed Minimum Income Scheme" replacing the social assistance schemes previously implemented in the federal provinces was set up in 2010. While not constituting a harmonisation of the provincial schemes, the new legislation establishes a national framework defining basic features and minimum standards for those schemes and improving their coordination. Furthermore, measures to facilitate re-insertion into the labour market were introduced (including additional financial incentives to encourage the take-up of employment, full access to ALMPs provided by the public employment services, the introduction of new ALMPs for the recipients, etc.);
- in Cyprus, since 2014 a new "Guaranteed minimum income" scheme has replaced the former "Public Assistance scheme". According to some micro-simulations carried out by the Economic Research Centre of the University of Cyprus, while not affecting the incidence of income poverty (AROP), the new benefit will significantly contribute to reducing its intensity and, if compared to the previous scheme, it is expected to have a wider coverage. Furthermore, as reported by the Cypriot experts, the emphasis placed by the government on

the labour market activation of welfare recipients has increased in recent years;
- in Slovenia, the "'Social Assistance Benefit Act" (passed in 2010 and implemented since 2012) raised the amount of the minimum income and introduced an activity supplement for recipients working at least 60 hours, taking part in ALMPs or attending psycho-social rehabilitation programmes. Additionally, new legislation passed in 2013 relaxed the income and property conditions for the entitlement to social benefits and raised the basic amount for single parents with children.

In other cases (e.g. DE, ES, HU, PT, UK), there are some negative aspects of recent reforms. In Germany the assessment system for fixing the benefit level of the basic income support for job-seekers was reformed in 2011 as a consequence of a judgement of the Federal Constitutional Court. Nevertheless, the receipt of unemployment benefit 2 (for those capable of working) and/or of social benefit (for members of the needs community not capable of working) cannot prevent income poverty, because the benefit level for all household types is considerably lower than the corresponding poverty threshold. Furthermore, around one in three persons eligible waive his or her entitlement to basic income support for job-seekers for different reasons. This contributes significantly to the fact that Germany currently has the highest poverty risk among the unemployed in the EU. According to the Hungarian experts, reforms implemented since 2008 have entailed, besides significant reductions in the amount of benefits, tightened eligibility and conditionality conditions, to the extent that the country "is gradually moving away from a general minimum income scheme". Both the Portuguese and the Spanish experts point to the negative consequences in terms of coverage and adequacy of minimum income schemes of reforms implemented in Portugal (in 2010 and 2012) and by the Spanish autonomous regions (since 2011) in a context characterised by fiscal consolidation priorities. Given the fact that the measure has suffered from some cuts in advance, the UK experts question the poverty reduction effect of the "Universal credit" reform to be gradually rolled out nation-wide.

The requirement of labour market "activation" for minimum income beneficiaries is a long-term trend characterising European schemes. As is already clear from the examples presented above, such an emphasis is on the rise, and various kinds of requirements and incentives aimed at promoting recipients' activation are in place in the countries or have been introduced/ reinforced through recent initiatives (e.g. in CY, HR, IE, LT, LU, LV, RS, SI). In many cases countries, focus on "positive" activation incentives (including, for instance, the introduction of work-related benefit top-up or income disregards[27], the obligation to register with the Public Employment Services and to participate in various kinds of ALMPs measures, etc.), as in the case of Luxembourg (see Section 4.4. below). For the first time in Serbia, the National Employment Action Plan 2015 introduced a new measure "Integration of beneficiaries of the minimum income in labour market" by offering 12 months wage subsides to private employers. In some countries (e.g. HU, SK, UK), however, experts note a troubling tendency to rely on "negative"[28] activation incentives (such as cuts to the level of the benefits, sanctions, stricter eligibility criteria, broad definitions of "suitable" job offers, etc.) whose impact in terms of poverty reduction is at least questionable. For instance, the Slovak experts have doubts as to the poverty reduction effects of a strategy consisting in keeping the minimum income benefit at a very low value and widening its gap with the minimum wage. The UK experts report data showing a significant increase in people resorting to emergency food for at least 3

[27] "Income disregards" is the share of work income that is "disregarded" in the calculation of social assistance benefits. It is thus a work incentive for benefit recipients.

[28] The distinction between "positive" and "negative" activation incentives is taken from Weishaupt, J.T. (2013), "Origin and Genesis of Activation Policies in 'Old' Europe: Towards a Balanced Approach?", in Marx, I. and Nelson, K. (eds.) (2013), *Minimum Income Protection in Flux*, Palgrave Macmillan, pp.191-216.

days (an increase of 163% in 2014 compared to 2013): according to some reports[29], over half of food bank users did so because of problems with benefits, including sanctions, delays in payments, being declared "fit for work", etc.

4.4. Active labour market policies (ALMPs)

ALMPs cover a broad range of measures aimed at facilitating recipients' (re)-insertion into the labour market. As stressed by Bonoli[30], they represent a large empirical focus and relate to quite different policy approaches. They can be articulated in three sub-fields: protection (e.g. work experience programmes), investment, (e.g. training) and re-commodification (e.g. tax credits, job subsidies). From a social investment perspective, the link between benefits and ALMPs should be ensured by the presence of activating and enabling social services (see Section 4.5) providing recipients with tailor-made support. Such personalised support is particularly important for people facing multiple disadvantages who, besides measures directly aimed at labour market insertion, may be in need of specific services (e.g. rehabilitative services).

Evidence emerging from the national reports shows that both the level of expenditure on ALMPs (cf. also Annex A3, Table C3) and the range of options offered to recipients differ between countries.

Some countries have a longer tradition of investing in these kinds of policies and, looking at 2012 data, their expenditure is still comparatively high (e.g. AT, BE, CH, DK, FI, FR, IS, NL, NO, SE). These countries typically provide a range of ALMPs, including vocational training and Life Long Learning (LLL) opportunities, placement services, counselling and job-search programmes, as well as job subsidies. As emerges from the experts' reports, ALMPs are still important in these countries. However, some shortcomings or possible backward steps have been identified. For instance, even though Finland offers a broad range of active labour market measures (including rehabilitative policies), the national expert points to the need for better coordination between measures and between actors. Belgium has had a strong focus on investing in LLL strategies (which are a priority for Belgian regions) but although LLL strategies represent a priority for Belgian regions (especially Wallonia) the participation rate in LLL (7%) is still less than half the Europe 2020 target. Belgium also has a traditional interest in stimulating social economy initiatives. However, doubts have been expressed as to the intention of the Flemish government to reform work experience programmes, a decision that - according to social stakeholders - can be expected to result in decreased financial support and job losses. The Swedish experts observe some changes in the relative importance of specific ALMPs measures. Indeed, looking at the number of participants, a declining trend can be identified for both upskilling and direct job creation measures, while the number of participants in job assistance measures has significantly grown. According to the experts, the decline in the take-up of upskilling measures is particularly worrisome since these kinds of measures are generally more geared towards social investment. Iceland, on the other hand, greatly increased the use of ALMPs measures during the crisis, which the ESPN country expert associates amongst other things with a greatly reduced unemployment rate after 2010.

Compared with the countries above, in other countries (e.g. CY, CZ, DE, EE, EL, HR, IT, LU, LV, PT, RS, SK), expenditure on ALMPs is (sometimes very much) lower. For instance, in Serbia the National Employment Strategy 2011-20 proposed an increase for ALMPs for 2013 at 0.4% of GDP, but the allocated funds came to only 0.03% of

[29] Perry, J., Williams, M., Sefton, T. and Haddad, M. (2014), *Emergency use only: Understanding and reducing the use of food banks in the UK*, London: Child Poverty Action Group, Church of England, Oxfam GB and The Trussel Trust.

[30] Bonoli, G. (2014), Active labour market policy and social investment: a changing relationship, in Morel, N., Palier, B. and Palme, J. (eds.), *Towards a Social Investment Welfare State? Ideas, Policies and Challenges*, Bristol, Policy Press, pp. 181.224.

GDP. However, evidence contained in the national reports shows diverging trends. Indeed, while in some countries (e.g. CZ, IT, PT, RS, SK), expenditure has decreased during the crisis years, in others (e.g. CY, EE, EL, HR, HU, IE, LU, LV, MT, SI) the importance attached to these policies has increased. This shift has been particularly marked in IE, MT and SI. Observing a growing emphasis on and availability of training, retraining and development courses targeted at various segments of the population, the Maltese expert claims that "the social protection system is being systematically re-aligned from a relief paradigm to a more initiative-training orientation". Referring to measures introduced since 2010, the Irish expert notes "a major shift in policy orientation": ALMPs, including the idea of one-stop-shops related to activation, continue to be a major driver of reform in that country. In Slovenia, the "Labour Market Regulation Act" passed in 2010 represents a step towards the provision of activating and enabling services targeted at individual needs. This law foresaw the provision of new active labour market measures, the introduction of new programme providers, the involvement of social partners at the local level, the systematic monitoring and evaluation of measures implemented, and a strengthened cooperation between employment and social services. In Italy, the 2014 "Jobs Act" also envisages the creation of a national agency to better integrate ALMPs, placement services and unemployment benefits.

On the other hand, the Portuguese expert points to the lack of a comprehensive ALMPs strategy and to the persistent focus of Public Employment Services on "reactive" rather than "proactive" measures. In Spain, passive and active labour market policies are not adequately integrated: there is limited coordination between social and employment services, and the latter are weak. Similarly, the Romanian experts underline the ineffectiveness of national employment services in reaching out to those most at risk on the labour market (such as inactive persons, the Roma, older unemployed and long-term unemployed, especially those with low level of education or rural residents), and the Lithuanian experts point out the lack of synergy between the employment and social services.

When it comes to the specific measures implemented in countries, as mentioned above, countries such as Austria, Belgium, Denmark, Finland, France, the Netherlands and Sweden generally offer a broad array of measures. Conversely, in some countries most expenditure is devoted to specific kinds of measures. Public work schemes targeted at people in disadvantaged situations are very frequent in Hungary and Lithuania. In both cases, the long-term effects on the employability of recipients can be questionable. However, the Belgian experts point out that while this is certainly true for simple welfare-to-work schemes, it is not the case for integrated services as high-quality ALMPs with integrated services have sustainable employment and social inclusion effects on disadvantaged groups. Subsidised employment takes a big share of active labour market expenditure in Bulgaria, Italy, Romania, Slovakia and Spain. A recent but increasing emphasis on training and skills development measures has been noted in countries such as Latvia, Malta, Poland, and Slovenia. On the other hand, expenditure on training is low and even declining in Portugal, Romania, Slovakia, and Spain. The German experts note a declining trend in both the expenditure on ALMPs and the number of participants. According to the experts' opinion, such a trend may result not only from a decrease in the number of registered unemployed but also from a "conceptual reorientation" of ALMPs in Germany, away from sustainable training and integration programmes towards short-term oriented workfare and budget consolidation measures - a long-term shift also noted by the Dutch expert. While a "work first" approach to activation still characterises the UK, a certain focus on apprenticeship (even if sometimes low quality placements) has been noted.

4.5. Social services

The availability and quality of activating and enabling social services is a precondition for the implementation of comprehensive and integrated social investment strategies. In particular, social services should ensure integration of the benefits and the services offered to the recipients and, in order to do so, the setting up of one-stop-shop arrangements is often considered a promising idea.

Since the availability and quality of social services in countries has already been largely addressed above (see, in particular, Section 4.4), in this Section we only briefly recall a few, important aspects.

Mixed evidence emerges when it comes to the development of synergies between social and employment services and the creation of one-stop-shop-like arrangements. As reported above, promising developments of this type have been noted in countries such as Ireland and Slovenia and, more recently, some steps have been undertaken in Croatia. In the latter case, a kind of "one-stop shop" system is being planned to be put in place this year. This means that guaranteed minimum income will be administered by county state offices and no longer by social welfare centres. There are also plans that other welfare benefits, including those offered by county and local authorities, should be administered from these offices. Conversely, in other countries (e.g. EL, ES, HU, LT, PT, RO) aspects such as the quality of social services, their availability across the national territory, and their link with employment services still remain problematic and represent an obstacle to the implementation of social investment strategies. In Luxembourg, the creation of local social services from 2011 onwards has been an important improvement of possibilities for tailor made and personalised accompaniment. They are intended to become the nodal point for linking between different public and private services for social and labour market inclusion, but according to NGOs, there is still a lot of room for improvement in this respect.

In a number of countries (e.g. BE, EL, ES, IT), national experts have expressed serious concerns about the impact of fiscal consolidation measures on social services. In this respect, the Belgian expert stresses the increasing pressure on the municipal Public Centres for Social Welfare deriving from the substantial increase in the number of jobseekers applying for social assistance, and expresses concerns as to their capacity to ensure quality services in the current climate of budget savings. In Greece, the quality and the efficiency of the health and social care systems have been further undermined by recent fiscal consolidation programmes, thus limiting the access to these services for the most vulnerable segments of the population - mainly a large number of unemployed and their dependants without health coverage, as well as persons in extreme poverty, including very low income pensioners. In Spain, due to the significant decrease in local government spending, social services tend to concentrate their efforts on the most severe situations, and increasingly delegate greater responsibility to third-sector organisations. In Italy, the resources devoted to the "National Fund for Social Policies", which supports local welfare systems, decreased by 32% in 2014 compared to 2010, and by 58% if compared with 2008 levels.