



7 May 2012

INPUT TO EUROPEAN COMMISSION REPORT ON IMPLEMENTATION OF RECOMMENDATION ON ACTIVE INCLUSION

Introduction

BUSINESSEUROPE supports the Commission's action to assess the implementation by Member States of the 2008 Recommendation on active inclusion. This is an important exercise to assess whether Member States have taken a balanced approach to the elements included in the recommendation, in particular taking into account the economic circumstances. We therefore welcome the invitation to contribute to the Commission's assessment.

We note that the guidance document is very detailed and that our member federations have not been able to provide input on all elements. Therefore we have concentrated on the issues most relevant for business. We hope that this input will prove useful in the elaboration of the Commission's report.

3.0 Overview of activities

BUSINESSEUROPE's main activity in the area of active inclusion since the adoption of the recommendation has been the negotiations and adoption of the European Social Partners autonomous Framework Agreement on inclusive labour markets. The negotiations started in October 2008 and the agreement was signed on 25 March 2010.

The agreement aims to improve access, return, retention and development of individuals on the labour market, acknowledging that these are shared responsibilities of employers, individuals, workers, and workers' and employers' representatives. It provides an action-oriented framework, to identify obstacles to inclusive labour markets and solutions to overcome them. It also aims to increase the awareness, understanding and knowledge of employers, workers and their representatives of the benefits of inclusive labour markets.

The agreement gives examples of specific actions which may be taken by social partners at national level, including:

- Awareness-raising campaigns and action plans, for example to promote the diversity of the workforce
- Disseminating information about availability of jobs and training schemes
- Education and training systems to better match the needs of the individual and those of the labour market



- Implementing specific and effective recruitment methods and induction policies
- Introducing individual competence development plans.

Recognising that other actors, in particular public authorities have a role in this field, it makes a number of recommendations to them, including:

- Ensuring effectiveness of employment and career advice services
- Adequacy of access to services such as transport / care / housing / education
- Making it easier to start, sustain and expand businesses
- Ensuring that tax and benefit systems have a positive role in labour market integration.

The agreement foresees in the first three years provision of information by the members of the European Social Partners on implementation and a full implementation report in 2014. The first report on implementation was adopted by the Social Dialogue Committee on 15 June 2011. It is available on the Employers' Resource Centre website - <http://www.erc-online.eu>. It highlights that discussions have started amongst social partners in a number of member states on how to implement the framework agreement, starting with the tasks of translation and dissemination. In some cases, specific social partner agreements have already been drawn up or work has taken place with national governments.

3.1 Integrated comprehensive strategies

From the information received from BUSINESSEUROPE member federations, we see large differences between member states in terms of whether there is a plan or strategy on active inclusion, and if so, whether there is one overarching plan, or a number of different ones. In some member states, the issues covered in the commission's recommendation are encompassed in other strategies, national development plans or reform measures, rather than specific ones on active inclusion. In some member states there is a mixture of specific strategies/plans on active inclusion and integration of the issues in other development plans. In Ireland for example, the government has had a national strategy to address active inclusion since the economic recession. Various plans have been launched for specific time periods starting with the National Plan for Recovery 2011-2014, Jobs Initiative 2011, and Action Plan for Jobs 2012. In Latvia for example, although there is no overarching document specifically aimed at implementation of the EC recommendation, different national level actions have been envisaged, including a Strategy for Social Protection and Social Inclusion, based on Latvia's National Development Plan 2007-2013. Similarly, in Portugal, although there is no specific plan on active inclusion, the Portuguese Government launched a Plan on Social Emergency, from October to the end of 2014, which aims to deal with some of the



consequences of the present crisis in families with less income. This foresees 30 measures that cover the three strands of the EC Recommendation. Also in Portugal there is the January 2012 Agreement on Commitment for Employment, Growth and Competitiveness. This foresees urgent adoption of structural measures to modernize active employment policies, and better match labour market offer and demand by promoting the public employment service. The overall aims are improvement of transitions from unemployment to employment, fostering social inclusion of vulnerable groups and tackling situations of improper use of social benefits – elements of the commission's recommendation.

In other cases, welfare reforms have covered the key issues of the recommendation. In the UK there is no national plan on social inclusion, but welfare reforms have been undertaken to support those excluded from the labour market back into the labour market. This includes the introduction of a new Universal Credit as part of benefit system reforms; a Work Programme to incentivize private providers to get unemployed people into sustainable employment; the introduction of fitness to work tests for those claiming incapacity benefit; and a 'Youth Contract' to tackle youth unemployment.

In some cases, rather than strategies or plans, different policies cover the issues included in the commission's recommendation. For example, in Italy in 2009 a White paper on the future of the Italian welfare system was published by the Ministry of Labour, broadly addressing the issues of social inclusion of disadvantaged persons.

Given the multitude of national strategies/plans which touch on the issues included in the recommendation, it is difficult to judge whether there has been an integrated approach in the design and implementation of measures. It may therefore be more relevant to assess whether different strategies/plans/policies have led to a balanced approach. It is also important to point out that it is not clear whether such strategies, plans or policies, where they do exist, are aimed at implementing the recommendation. They may have been developed anyway as part of ongoing national reforms in particular in view of the economic and financial crisis.

Member federations have also pointed out that in some cases they have taken actions in the areas included in the recommendation, irrespective of whether there is a national strategy/plan. These have mostly been in the area of inclusive labour markets. Although the recommendation is addressed to member states, we believe it is important to highlight this point, as such actions also contribute to tackling the issues raised in the recommendation. In the Netherlands, for example, social partners introduced measures in Collective Labour Agreements to hire partially handicapped young people. There has also been a social partners' agreement to improve the position of older workers and



to promote working longer. In Ireland, BUSINESSEUROPE's member federation IBEC and its members have participated in the National Internship Scheme, taking jobseekers on work experience placements for 6-9 months. In the UK in 2011, for example, BUSINESSEUROPE's member federation the CBI proposed in a publication 'Action for Jobs', the introduction of a 'Young Britain Credit', a hiring incentive for employers taking on young unemployed people. This was then announced by the UK government as part of its Youth Contract.

It is important to ensure synergies between the three strands of the recommendation, as they are clearly interlinked. From the point of view of BUSINESSEUROPE and its member federations, measures to improve labour market inclusion should be given priority in addressing poverty and social exclusion, as having a job is still the best route out of poverty. The main focus for member states in implementing the recommendation should therefore be on inclusive labour markets. At the same time, adequate income support for those not able to work needs to be provided in a balanced way, which does not discourage return to the labour market. Reforms of social protection systems which ensure that they are geared to labour market inclusion are necessary to make such systems sustainable and avoid further pressure on state budgets. This is crucial for the provision of quality, but also well-targeted, efficient and cost-effective services. This is the only way for social protection systems to continue to protect the most vulnerable.

3.1.1 Comprehensive policy design and 3.1.2 Integrated implementation

The input from our member federations also shows diversity in the specific measures stemming from national strategies/plans/policies. In some member states, there has been action across all three strands of the recommendation, whereas in others there has been a focus on some specific elements. Different areas of focus are to be expected given the different labour market situations and national social protection systems.

In Portugal for example there has been an integrated approach to action on the three strands of the recommendation. The Plan on Social Emergency foresees an increase of the unemployment benefit in situations that both members of the couple – with children – are entitled to that benefit; support for the employability of disabled people; improving the access of elderly people to healthcare services; promoting the employability of unemployed people over 45 years old; and renting of houses for a lower price for families that are excluded from access to social housing. In the UK, the welfare reforms and employment initiatives taken by the government (see above) tackle all three strands of the recommendation. The Universal Credit will ensure adequate income support for those out of and in work; the Work Programme and the Youth Contract will help



make the UK labour market more inclusive and the Work Programme will give benefit claimants access to good quality services.

Regarding adequate income, member federations have identified some concrete measures, for example on income support. In Italy, a “Purchase card” has been introduced – an electronic card for payments which is issued to the most disadvantaged people, allowing for the purchase of food items, pharmaceuticals, and utilities.

There have also been measures on access to quality services, including in particular for disadvantaged people, and improving service delivery at local level. In Italy, for example, observatories on poverty have been established to orientate the offer of services delivered by local authorities.

In all cases on which we have received information, measures have been taken in the area of inclusive labour markets. This is viewed positively by member federations in those countries, although such measures have not been taken in all member states. There has been a focus on labour market activation in some countries, including measures to stimulate job creation and structural reform of social welfare systems. Labour market reforms have been undertaken in some countries, including promoting more flexible paths to enter the labour market. In Italy, for example apprenticeship contracts have been promoted as part of labour market reforms. There have also been some cases of reform of education systems and measures in the area of training and skills. The focus on training is welcomed, as an important element in facilitating job transitions. Some members highlight that measures have been taken to improve the labour market inclusion of specific groups. Some member states have also focused on improving integration between unemployment services and skills development services. Finally, in one of the cases identified, in Ireland, reforms have been combined with gathering of labour market intelligence, with the aim of identifying where jobs will exist in the future and linking this to skills development and conversion. This has been particularly important for people who are long-term unemployed.

Once again, given the differences between member states, it is difficult to judge whether overall there is a holistic approach between all strands. It is also clear that improving active inclusion requires different types of action in different member states. Therefore, a holistic approach covering all strands may not actually lead to improvements.

3.1.3 Vertical policy coordination

In some countries there has been coordination between local, regional and national authorities, including in some cases in the definition and implementation of active inclusion policies. For example, this has been the case



in the Netherlands on new measures to combat youth unemployment to help vulnerable young people with the transition from school to a job. However, this has been a challenge in other countries. This clearly depends on national structures.

3.1.4 Active participation of relevant actors

From the input received, and where strategies/plans/policies have been developed, the involvement of social partners differs, according to national social dialogue structures and systems. In most cases they have been involved in development and implementation and where it has taken place, in monitoring and evaluation. However, this is not the case in all countries. In Portugal for example, the social partners were not involved in the development of the aforementioned plan on social emergency, however they were involved in discussions regarding the approval of laws that stemmed from this plan in the framework of the Standing Committee for Social Concertation. There has been involvement at national, but also sometimes at regional level. Social partners in some cases have been involved in specific elements of plans and specific schemes that stem from these. In the Netherlands for example, with respect to new legislation to promote labour participation for people who have less capacity to work, and with respect to the reform of the pension system. Also in the UK, BUSINESSEUROPE's member federation, the CBI sits on the Universal Credit Senior Stakeholder Board, helping influence the design and implementation of the Universal Credit.

3.2 Description and assessment of the impact and cost effectiveness of measures introduced under the three strands

In general, our members have highlighted that it is difficult to assess the impact and cost-effectiveness of measures for the following reasons:

- Some measures, in particular reforms of social protection systems, as well as the creation of new initiatives, are recent and/or ongoing. Therefore it is too early to assess the consequences.
- Many measures taken are short-term, to deal with the economic crisis, whereby it is difficult to see at this stage what the impact is and what it will be in the long-term.

Therefore it is more relevant to discuss the potential impact in many cases.

The potential impact and cost-effectiveness is viewed positively by those member federations in countries where there is a clear focus on getting people off benefits and into work. This covers both strands of the recommendation - inclusive labour markets and adequate income support. BUSINESSEUROPE and its member federations emphasise the importance of avoiding prolonged



welfare dependency, as this puts increased pressure on social protection systems and can lead to long-term labour market exclusion. Therefore, measures to improve the way in which income support is allocated are viewed positively, for example reforms linking access to income support to readiness to move into employment.

In Ireland, for example, the current review of the social protection system includes a proposal to create a National Employment and Entitlements System. This would aim to ensure that clients access the right services in conjunction with income support in order to move closer to or into employment. Clients who fail to engage with such an approach would see a reduction or cessation in their benefit payments. Another example is in Portugal regarding the current revision of the social inclusion income (RSI – Rendimento Social de Inserção). This provides support to individuals and their households to contribute to meeting basic needs and encouraging labour and social inclusion. The current amendments aim to ensure that the beneficiaries of the income are subject to some obligations, including availability for work and/or training. In the UK for example, the Universal Credit is seen as having the potential to be a positive step forward as it increases incentives to work. However, since it has not been introduced yet, it is difficult to evaluate the benefits and costs. Similarly, it is too early to assess the cost-effectiveness and impact of the welfare reform in the UK, although the input provided highlights a potential better value of money with the introduction of payment by results through the Work Programme.

In contrast, member federations are critical of measures which maintain the level of minimum income provided to unemployed persons, questioning the cost-effectiveness of such measures.

The economic crisis means there is added pressure on welfare budgets at the same time as unemployment levels remain high. Therefore where there have been labour market reforms, these are also seen by members as having a positive potential impact. This includes increasing the use of flexible contractual arrangements. In the Netherlands for example, to promote the continuation of hiring of young people, the period for giving young people a temporary contract was enlarged from 3 to 4 years. In the UK, an extra £1bn of support for young unemployed people, as part of the Youth Contract has the potential to tackle the long-term negative effects of unemployment at an early age. Also, an evaluation of the UK government's work experience schemes announced as part of the Youth Contract have shown positive employment outcomes for young people taking part at a relatively low overall cost.

In contrast, some member federations have highlighted that the strategies undertaken have not had a completely positive impact on the labour market. For example, in Latvia strategies have not solved the problem of long-term



unemployment nor led to significant improvements in the area of inclusive labour market.

Improvements in the area of education and training have been mentioned by some member federations, for example the “Springboard” initiative in Ireland. This offers jobseekers the option to take up a part-time course in higher education and training free-of-charge, while retaining their social welfare payments. However, this is an example of an ongoing programme, where the specific outcomes regarding labour market inclusion are not clear yet.

There is also some evidence of attempts to make services more cost-effective, which given current budgetary constraints, is viewed positively by members. At the same time, some employment services, for example in Latvia, are not seen as providing services of adequate quality, despite playing a central role in implementing active labour market measures. This means that employers rarely use these services, severely reducing their impact. In the UK, further improvements are seen as necessary in the employment service provided by Jobcentre Plus, in particular a more comprehensive assessment of the ‘readiness for work’ of benefits claimants. At the same time, access to some services, for example health care, is not sufficiently ensured in all member states, for example Latvia. This shows that the existence of a strategy, in this case specifically on social protection and social inclusion has not led to real improvements in all areas, due to problems in implementation.

3.3 Financial resources and

3.4 Monitoring and evaluation

We have received little information on these points from our member federations. Regarding monitoring and evaluation some members did highlight that there have been challenges, due, for example to political circumstances such as changes in government.

3.5 Recommendations

3.5.1 Priority actions Member States should take to strengthen (develop) their integrated comprehensive active inclusion strategy:

1. Ensure that strategies make a strong link in the fight against poverty and social exclusion to labour market exclusion.
2. Focus on further reforms of social protection systems, aiming at encouraging and facilitating return to work.



3.5.2 Priority actions Member States should take to strengthen policies/measures under each of the 3 strands

Adequate income support

1. Reform social security systems to ensure that adequate income support is balanced with measures to encourage return to work.

Inclusive labour markets

1. Shift towards more active labour policies and undertake further structural reforms of labour markets.
2. Ensure that skills better match the demands of the labour market and invest in lifelong learning.
3. Tackle as a priority youth unemployment and long-term unemployment.

Access to quality services

1. Balance access to quality services with cost-effectiveness and efficiency.
2. Improve efficiency in the delivery of employment services.

3.5.3 Actions that could be usefully taken at EU level to reinforce the implementation of the active inclusion Recommendation by Member States

1. Make clear and robust country-specific recommendations to Member States for their National Reform Programmes and ensure that they follow-up on these.
2. Support member state structural reforms of labour markets and social protection systems.
3. Ensure that actions taken at EU level boost the private sector's capacity to create jobs.