



Trends, Recent Developments, Active Inclusion and Minimum Resources

Key lessons

Synthesis Report

Independent overview based on the 2006 first semester national reports of national independent experts on social inclusion

Iain Begg, Jos Berghman and Eric Marlier
(LSE, Leuven University, CEPS/INSTEAD)

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Preface

The 2005 Spring European Council established clearly that promoting social inclusion continues to be a central political priority for the European Union (EU), by stating that “social inclusion policy should be pursued by the Union and by Member States, with its multifaceted approach”. This means that social inclusion will also have a key role to play in complementing and contributing to the *refocusing* of the EU’s Lisbon Strategy on growth and employment and to the re-launch, in June 2006, of the Sustainable Development Strategy. The latter reaffirms the EU’s commitment to combat poverty and social exclusion, to deal with the problems of an ageing society, to promote public health, and to foster sustainable patterns of consumption and production.

These various decisions have sharpened the EU and national governance contexts, as highlighted notably by the EU Employment and Social Affairs Ministers at their Informal Meeting of January 2006 (Villach, Austria). These decisions obviously call for more coherent and strategic efforts on social protection and inclusion. Such an approach will be facilitated by the *streamlining* of the Open Method of Coordination in the social field, since January 2006, a concrete result of which will be the *National Reports on strategies for social protection and social inclusion* (covering social inclusion, pensions, healthcare and “making work pay” issues) that Member States will submit to the European Commission for the first time in September 2006. They also call for *mutually reinforcing* feedbacks between economic, employment and social policies (“feeding in” and “feeding out”), which in turn requires a better integration of the streamlined social process with the refocused Lisbon Strategy *both* at EU and national levels.

In the field of social inclusion, two important instruments are the peer reviews of good practices and the regular reports drafted by a network of non-governmental experts which support the Directorate-General for Employment and Social Affairs of the European Commission in its task of assessing independently the implementation of the Social Inclusion Process¹. The network consists of 28 independent experts, one for each Member States plus one each for Bulgaria, Romania and Turkey.

This report presents an independent overview of reports for the first semester of 2006 produced by the network’s experts. It is based on the report that each independent expert produced in May 2006, analysing social inclusion trends and the issue of “active inclusion and minimum resources” in his or her Member State (see section 2.2, below). Throughout, where the experience in an individual Member State is highlighted, this is either because the national expert has emphasised the particular point or because it represents a good illustration of the issue under discussion. Consequently, the fact that a particular Member State is mentioned does not necessarily mean that the point being made does not apply to other Member States.

It is the first such report and will be followed later in 2006 by two further synthesis reports drawing on the network’s contributions. The first one will draw on the independent analysis by network’s experts of the aforementioned *National Reports on strategies for social protection and social inclusion*, while the second will focus more particularly on the “integration of immigrants (first and second generation) and/or ethnic minorities” and the “feeding in and feeding out process”.

¹ For more information on the Commission’s programme on “Peer Review and Assessment in Social Inclusion”, including the list of members of independent experts, see: http://www.peer-review-social-inclusion.net/peer/en/general_information.

1 Summary and key messages

Promoting social inclusion continues to be a central political priority for the European Union. To support the Directorate-General for Employment, Social Affairs and Equal Opportunities of the European Commission in its task of assessing independently the implementation of the Social Inclusion Process an important instrument is the regular reports drafted by a network of non-governmental independent experts: one for each Member States, plus one each for Bulgaria, Romania and Turkey.

This report presents an independent overview based on national reports that each independent expert produced in May 2006 and which are published separately (the overview covers only the 25 EU Member States). Examples are used in this synthesis report to emphasise or illustrate key points, but it should be noted that the use of such examples does not exclude the possibility that the point is also relevant for other Member States. The national reports have been produced in response to common guidelines and comprise two main topics. The first is a critical review by the experts of key trends in the Member States, embracing indicators, and information on policy orientations and on public debates focusing on social inclusion. The second is on active inclusion and minimum resources, understood as a comprehensive policy mix combining adequate income support, empowerment, labour market activation policies and access to basic services, aimed at a more effective integration of people excluded from the labour market.

The *Joint Report on Social Protection and Social Inclusion 2006* draws attention to the many challenges - including ageing, responding to increasingly intense global competition, adapting to new technologies and countering high unemployment - that the Union has to confront in taking forward its policies on social protection and social inclusion.

Doing so will mean developing the mutually reinforcing feedbacks between the re-focused Lisbon Strategy on growth and jobs, on the one hand, and national and EU work on social protection and social inclusion issues, on the other. Striking an appropriate balance between flexibility and security (flexicurity), while taking account of national sensitivities constitutes a further challenge. Against this backdrop, the expert reports reveal a number of common patterns, but also some notable divergences.

Trends

Immigrants and youths are highlighted in many national reports as social groups that fare least well in the labour market, and where the overall rate of job creation is low, the access to the labour market for the least 'competitive' individuals is much lesser than for others. There is also evidence of differing forms of duality, such as persistent long-term unemployment of the least qualified or a strong bias towards temporary rather than permanent new hirings.

The incidence of poverty among segments of the population varies from country to country, but frequently cited ones include the elderly, single parent households (especially female-headed), and youths. Child poverty remains a major issue. There is, too, evidence from several Member States of growing inequality. Some Member States continue to lag behind in addressing gender issues and few have an effective approach to dealing with gender.

Immigrants and ethnic minorities are identified as disadvantaged in many Member State, often with substantial gaps in relevant indicators compared with the native or majority population. The precarious position of the Roma is mentioned by the experts for all the countries in which they are resident, with criticism by several that not enough is being done.

Policy developments

Across the EU, there has, in the last year or two, been an impressive range of policy developments and new legislation in the field of social inclusion. This provides a rich source of experience with opportunities for fruitful exchange of practices through the open method of co-ordination (OMC).

Nevertheless, the reports identify a number of continuing administrative problems in advancing social inclusion. These include dealing with decentralisation of policy implementation, problems of financing social protection and the quality of staff. Information technology difficulties are also mentioned.

In a majority of Member States, social inclusion has become a highly salient political issue and in several it is the subject of significant political initiatives or shifts in approach. There has also been extensive new legislation in many countries. What is striking about many of the developments cited in the expert reports is the scope of current and prospective changes.

Among the new directions that emerge from the reviews of national experience, three are especially noteworthy. The first is the shift towards holding individuals more responsible for their well-being, eroding the notion of solidarity. Resort to conditionality is not, moreover, confined to cash benefits since it has been applied to housing benefits or benefits in kind. A second trend is towards more targeted interventions aimed at dealing with specific social problems, such as child poverty or the exclusion of immigrants. Several countries are improving their approach to dealing with disability, good examples being Austria and Estonia. Administrative and financing reforms aimed, notably, at assuring the long-term sustainability of social protection systems constitute a third key trend, with devolution of responsibilities to lower tiers of government happening in several countries such as Italy and Spain.

Various criticisms of the policy approaches in the NAPs inclusion (and in social policy more generally) are articulated by the experts. Policy coherence and inconsistency, especially, are cited as problems in many countries and some experts (the Greek report is a good example) identify a gap between ambitions and practice. There are also concerns about anomalies in the support offered to different sorts of claimants depending on the particular benefit scheme – the UK is an example here.

Active inclusion and minimum resources

The national reports show that all Member States have a variety of arrangements that can promote active inclusion of those furthest from the labour market, but that there are differing philosophies behind approaches to promoting active inclusion, an issue that is relatively new in the political discourse and practice in certain Member States.

Nearly all Member States provide forms of social assistance that guarantee at least a subsistence income, although there are huge differences among the Member States in the generosity of these schemes, the eligibility conditions imposed and the duration of the support. In some cases the complexity of the systems appears to be a specific problem that may result in eligible claimants not receiving the benefits to which they are entitled because they are put off by the complexity.

Many different sorts of labour market activation are described in the expert reports. In some countries, such as Belgium or France, solidarity remains an important consideration, with a continuation of unemployment complemented by various forms of assistance to re-connect individuals with the labour market. A second philosophy – exemplified in Sweden - is a broad approach to activation of the unemployed, with a range of training and work experience schemes or mechanisms for placing those with the weakest labour market attributes, allied to means tested benefits.

A third approach is to target specific excluded groups backed up by substantial resources, but with income support conditional on participating in the reintegration schemes, as in Denmark. What might be labelled 'workfare' is a fourth approach with escalating pressures on individuals to take responsibilities for their own inclusion by engaging in job search, to comply with obligations to attend interviews or to take lower quality jobs. Several of the recently acceded Member States have gone in this direction, as has the UK.

In addition to income guarantees and Active Labour Market Policies (ALMP), several Member States have distinctive, sometimes experimental approaches that provide alternative ways of reaching out to and empowering the most excluded. Good examples are the Irish policies to make work pay and the linking of benefit reform and labour market measures in the UK aimed at activating groups such as single parents. There are also indications that Member States are trying new approaches, such as a scheme for mentoring excluded individuals in Denmark or the idea of rewarding individuals in the Netherlands who do not make claims on certain categories of health care, again with potential for policy transfer in the OMC context.

Some experts nevertheless express doubts about whether the packages of policies or the current orientations of policy in their countries go far enough to offer comprehensive responses to the challenges of active inclusion and the provision of minimum incomes. The reasons cited for these doubts include a lack of coherence in policy, inadequate recognition of the complexity and intensity of the problems that have to be confronted, and in some case, a lack of political will either to analyse problems correctly or to make the hard choices required.

Key messages

The national reports put forward a range of examples of good practice and therefore represent an important resource for policy-makers interested in identifying new approaches, some of which are summarised in this synthesis report in the areas of reaching marginalised groups, supporting excluded families and the disabled, and local initiatives. This synthesis can only give a flavour of the wide range of such policies covered in the national reports.

Key conclusions are that while the range of policies to promote social inclusion is impressive and Member States seem to have embraced active inclusion as a philosophy, new problems may be emerging. For example, raising employment rates further is going to entail action to reach out to the 'more difficult' cases as the individuals with positive labour market attributes obtain jobs. The trend towards greater conditionality in the provision of benefits will also need careful implementation and monitoring to avoid risks of penalising the least well-off or creating a two-tier system characterised by a higher rate for those prepared to take steps to find work, thereby watering down the solidarity dimension of policy in favour of its activating function.

Administrative challenges also remain to be solved. Some of the national reports suggest that the impact of EU policies has been limited because there is little evidence that they influence national policy discourse and thus decision-making, but others suggest that significant advances in governance have been achieved through EU influence, as well as ESF support. More effort is, therefore, needed to improve the overall coherence of policy aimed at assuring social inclusion at EU, national and subnational level.

2 Introduction and context

Much has changed in the governance of the European Union (EU) over the last year, notably with the re-launch of the Lisbon strategy, now renamed as the *Partnership for Growth and Employment*. It has become clear that there is now a much greater political momentum behind efforts to promote economic reform. The original Lisbon strategy launched in March 2000 explicitly linked the economic, employment and social dimensions, setting the EU 'a new strategic goal for the next decade: *to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion*'². While many commentators overlooked the second half of the statement, decisions taken at subsequent European Councils led to the establishment of a comprehensive approach to the pursuit of social inclusion using the open method of co-ordination (OMC). Three cycles of National Action Plans for social inclusion (NAP/inclusion) have been implemented since March 2000.

The re-launched Lisbon strategy does not explicitly encompass co-ordination of national policies on social inclusion. From a political standpoint, the integration of policies to promote competitiveness and employment might be seen as a snub to the social inclusion dimension of EU policy, yet this is not the case and the momentum of inclusion policy has been maintained and is evolving in parallel with, rather than directly within, the re-launched strategy. For instance, the March 2005 European Council declared that '*Social inclusion policy should be pursued by the Union and by Member States, with its multifaceted approach, focusing on target groups such as children in poverty*'. A year later, the March 2006 European Council usefully reaffirmed '*the objective of the Partnership for growth and jobs that steps have to be taken to make a decisive impact on the reduction of poverty and social exclusion by 2010*'.

The *Joint Report on Social Protection and Social Inclusion 2006* submitted to the European Council in March 2006 draws attention to the many challenges that the Union has to confront in taking forward its policies on social protection and social inclusion. They include ageing, responding to increasingly intense global competition, adapting to new technologies and countering high unemployment. Underlying these challenges is the need to rethink many aspects of social protection systems and, more generally, to modernise the European social model.

As box 2.1 shows, there has recently been extensive change in socio-economic policy, with reform of most of the main strategic elements that bear on economic and social policy. Future developments in social inclusion policy will need to dovetail with these other developments, as well as seeking to advance an established policy agenda that is widely acknowledged to have made a telling contribution to combating social exclusion and unemployment.

A key challenge for Member States and the Commission in the new EU governance context will be to turn into concrete policy actions an important statement of EU leaders at their March 2006 meeting, namely that the new Partnership for growth and employment should provide 'a framework where economic, employment and social policy mutually reinforce each other, ensuring that parallel progress is made on employment creation, competitiveness, and social cohesion in compliance with European values. For the European social model to be sustainable, Europe needs to step up its efforts to create more economic growth, a higher level of employment and productivity while strengthening social inclusion and social protection in line with the objectives provided for in the Social Agenda'. The National Reform Programmes submitted by Member States in autumn 2005 have not all been very convincing on developing these mutually reinforcing feedbacks between the re-focused Lisbon Strategy

² Lisbon Presidency conclusions (2000), paragraph 5.

on growth and jobs, on the one hand, and national and EU work on social protection and social inclusion issues, on the other. It is to be hoped that significant progress on this necessary dynamic (often referred to as *feeding in* and *feeding out*) will be made in the 2006 national and EU reporting; this will be part of a next synthesis report to be produced this year by the EU Network of independent experts on social inclusion.

Box 2.1 Recent policy developments at EU level

Streamlining of the Broad Economic Policy Guidelines and the Employment Guidelines – spring 2003

Reform of the Stability and Growth Pact – March 2005

Re-launch of the Lisbon Strategy – March 2005 – with a focus on growth and employment

- Elaboration of integrated guidelines covering the three domains of macroeconomic policy, microeconomic policy and employment - June 2005

Presentation by the Commission of the Community Lisbon Programme – July 2005

Submission by Member States of National Reform Programmes – autumn 2005

- First Commission Annual Progress Report on “Lisbon II”, including assessments of Member State reform programmes – January 2006 – and confirmation of the integrated guidelines by the European Council – March 2006

Streamlining of EU cooperation processes in the social field – social inclusion, pensions and healthcare and long-term care

Conclusion of negotiations between the European Parliament and the Council on the inter-institutional agreement for the multi-lateral financial framework for 2007-2013 – April 2006

Agreement by European Council on a revised Sustainable Development Strategy – June 2006

Submission by Member States of the first streamlined ‘National Reports on Strategies for Social Protection and Social Inclusion’ – September 2006

A further challenge for all Member States is how to achieve an appropriate balance between flexibility in labour and product markets and the assurance of a sufficient degree of security of income and social position for all citizens. The Danish model of ‘flexicurity’ is often held-up as the most advanced in the EU and praised for the manner in which it reconciles the two halves of the expression. However, it is also recognised that in an area as politically sensitive as social policy - bearing in mind the long-run path dependencies that have shaped national systems – a one-size-fits-all approach to flexicurity can never be viable. Instead, Member States have to fashion their own approaches. A core principle should be that social protection, labour market policy and lifelong learning should be mutually reinforcing in underpinning systems that offer the combination of flexibility and security, with active labour market policy expected to be to the fore. It is important to identify what works well and what is problematic, and how to monitor progress and it may be that what is needed is the articulation of a set of principles.

2.1 Overview of EU approach

Since the decisions taken at the Lisbon and Nice European Councils in 2000, the open method of co-ordination has been the approach chosen for co-ordinating social policies in the Union and various OMCs were initiated. Following the lead from the European Employment Strategy, an OMC for social inclusion was launched in 2000, and Member States submitted their first NAPs/inclusion in 2001 for the period 2001-2003. The second round of NAPs/inclusion for 2003-2005, still limited to the then 15 Member States of the EU, is generally regarded as having been a marked improvement on the first round and the activities of the various bodies charged with advancing policies on social inclusion have functioned effectively. A third round of NAPs/inclusion took place in 2004, with the 10 recently acceded Member States (RAMs) submitting their first NAPs/inclusion (for 2004-2006).

Nevertheless, the 2006 Commission analysis of the national implementation and update reports³ is cautious in its tone, noting that 'poverty and social exclusion continue to be serious challenges' and that 'there is little evidence given of any significant improvement in recent years'. This is arguably not that surprising, since the extent of the problems being confronted and the long time-scales needed to make a difference are often forgotten. At the same time, there is evidence from many Member States of tangible progress and of a strong commitment for change.

Looking forward

Since January 2006, the three OMCs for social protection and social inclusion (social inclusion, pensions, and healthcare and long-term care) have been 'streamlined' – i.e. synchronised and rationalised. In this context, new EU common objectives for the streamlined EU Social Protection and Social Inclusion Process were endorsed by the March 2006 European Council.

The overarching objectives, cutting across the different social protection and social inclusion areas and aimed also at emphasising the need for mutual feedback between the streamlined Social Process and the refocused Lisbon strategy on growth and employment, can be summarized as follows:

- Social cohesion, equal opportunities and sustainable social protection
- Effective and mutual interaction between the objectives of the new Partnership for growth and employment and greater social cohesion (*feeding in* and *feeding out*), and with the EU Sustainable Development Strategy
- Good governance, notably through the mobilization of all stakeholders

The chosen form of governance is the OMC and the aims for each of the three streamlined social Processes, which are consistent with prior developments in EU social policy (and in particular with the original objectives or the EU Social Inclusion Process adopted by the 2000 Nice European Council), comprise:

- Decisive action to eradicate poverty and social exclusion
- Assuring adequate and sustainable pensions
- Provision of accessible, high-quality and sustainable healthcare and long-term care

³ 'Implementation and update reports on 2003-2005 NAPs/inclusion and update reports on 2004-2006 NAPs/inclusion' (SEC(2006)410).

Member States are now working on their next NAPs/inclusion, which they have to prepare as part of their first streamlined 'National Reports on Strategies for Social Protection and Social Inclusion'. These National Reports are to cover the period 2006-2008; they are elaborated on the basis of guidelines agreed upon between the Commission and the Member States, and due to be submitted in September 2006.

2.2 Scope of the reports

This synthesis report draws extensively on reports produced by non-governmental national experts in each of the Member States, in which they were asked to provide an *independent* assessment of social inclusion in their respective countries. The reports have been produced in response to common guidelines and comprise two main topics. The first is key trends in the Member States, which embraces statistical data and indicators, information on policy orientations and on public debates focusing on social inclusion, and a listing of key legislation. The experts offer their own assessments of policy developments and have been encouraged to be critical where appropriate, while being asked to base their judgements on sound analytical and evidence-based work, rather than polemical, ideological or party-political statements.

The second section of the national reports is on active inclusion and minimum resources. A key background document for this is a Commission Communication entitled 'Concerning a consultation on action at EU level to promote the active inclusion of the people furthest from the labour market'⁴. The core issue raised in this Communication is the need for a comprehensive policy mix combining adequate income support, empowerment, labour market activation policies and access to basic services, so as to encourage a more effective integration of people excluded from the labour market.

In particular, evidence suggests that a comprehensive policy mix combining three elements is needed, namely:

- 1) a link to the labour market through job opportunities or vocational training;
- 2) income support at a level that is sufficient for people to have a dignified life; and
- 3) better access to services that may help remove some of the hurdles encountered by some individuals and their families in entering mainstream society, thereby supporting their empowerment and their re-insertion into employment (through, for instance, counselling, healthcare, child-care, lifelong learning to remedy educational disadvantages, ICT training to help would-be workers, including people with disabilities, take advantage of new technologies and more flexible work arrangements, psychological and social rehabilitation).

This synthesis report is necessarily able to give only a snapshot of the extensive and rich national reports. It attempts to identify some common trends, but also to highlight distinctive approaches that may be of interest. Throughout, references are made on a selective basis to findings and judgements made by the experts, with the aim of illustrating key developments rather than providing comprehensive assessments. The next section provides an overview of the national trends. Section 4 discusses active inclusion and minimum resources, then section 5 picks out some examples of good practices submitted by the national experts. Concluding comments complete the report.

⁴ COM(2006) 44 final.

3 National trends

The national reports provide a wealth of data on trends in the Member States, including statistical data on economic performance and on social indicators. They also reveal contrasting priorities that reflect the hard choices, tensions and compromises that have to be made between economic and social objectives. For example, Slovakia had a reforming government from 1998 till 2006 that regarded economic growth as the pre-condition for social progress, with the implication that social priorities had been given lesser weight. Euro area accession was seen as a key aim in this context, with both economic and social reforms contributing to this aim. Slovenia, so far, has taken a different view by maintaining social provision (and, it is worth stressing, has still been able to fulfil the convergence criteria for euro area membership), although a recent change of government has prompted fresh thinking. It is also noteworthy that despite facing similar macroeconomic commitments, the euro area countries exhibit markedly different approaches to social cohesion.

3.1 Description of statistical trends

In recent years the underlying economic performances of the Member States have varied enormously. Growth has generally been lowest in the core countries of euro area and highest among the recently acceded Member States (RAMs), though with notable exceptions. Moreover, the disparities in growth rates have been enduring, with different implications for employment and social cohesion. Over the period 2000-2006 (using the latest Commission forecasts for the last year⁵), *cumulative* growth rates have been as high as 50% in the three Baltic countries but barely 5% in Germany and Malta, while for the euro area as a whole, the rate was just over 9%. In part, the growth among the RAMs is explained by recovery from the severe economic crises (other than Cyprus and Malta) through which they passed in the early years of transition, but most of the 'bounce-back' had been achieved before the year 2000, and the growth in the current decade can best be seen as a dynamic in its own right. The high growth has not necessarily improved social cohesion, though, as is shown by poverty indicators.

Although there is no direct pass-through from growth into social conditions, slow growth manifestly makes it more difficult to boost employment, on the one hand, and to provide the fiscal room for manoeuvre in social expenditure, on the other. The relationship between growth and employment is also affected by trends in productivity which exhibit considerable variety across the EU. Thus, despite the high growth rates in Member States such as Slovakia or the rapidly growing Baltic States, rapid economic growth has not been reflected in job creation, implying that much of the growth is accounted for by productivity change. In Greece, despite what the Greek non-governmental national experts (hereafter, where the term 'expert' or 'experts' is used, it designates the member of the network for the Member State) describe as positive developments in social policy and the fact that Greece has lived through a period of sustained economic growth in recent years, alleviation of poverty and social exclusion has been rather negligible. By contrast, Spain has seen a very substantial rate of job creation (albeit mostly temporary employment), yet has had low productivity growth. Ireland has achieved a balance between job growth and productivity advances, but such has been its growth rate that it is subject to labour shortages that are being accommodated by migrants from central and eastern Europe.

⁵ Published in *European Economy* 2/2006 by the Directorate-General for Economic and Financial Affairs.

Employment rates

It is important to note that differences in employment performance reflect two distinct influences. The first is the level that had been achieved as a result of previous development of the respective economies. The Nordic countries, the UK and the Netherlands all record high employment rates that had already been attained in the 1990s, while the shakeout in employment that characterised the early 1990s in several of the (then) transition economies has meant that they are only now recovering from low employment rates, with Hungary, Poland and Malta still exhibiting the lowest rates among the EU-25 according to the latest Eurostat data.. Meanwhile, in several of the countries that are often classified as 'corporatist' welfare states, there is a very substantial difference in employment rates between age-segments of the working populations. Thus in both Belgium and France, the employment rates of prime age workers are comparable with those in the best performing countries, but there is a dramatic disparity in employment rates for both youths and 'seniors'.

Italy and Spain are prime examples of countries in which regional disparities remain a major issue, though several other countries exhibit a sizeable gap between core regions and their peripheries. Italy also has well-known gender gaps - affecting not just pay, but also employment rates and other labour market variables - and has a growing problem around insertion of youths into the labour market, as well as a relatively high incidence of irregular employment. Spain is another country also showing these wide disparities.

The second influence on employment rates is the impact of economic performance, where the evidence shows that some countries have achieved significant gains, while others stagnate. Although there are marked differences, there are also some common patterns in employment creation. Immigrants and youths are highlighted in many national reports as social groups that fare least well in the labour market. Where the overall rate of job creation is low, the access to the labour market for the least 'competitive' individuals is much lesser than for others. As the French expert notes: 'whether it is seniors, youths or foreigners, access to the labour market is very limited in a world in which job creation shows little dynamism'. The French expert also highlights the plight of those whose characteristics mean they combine labour market disadvantages: the youths in high-unemployment, urban areas of immigrant background. Even in countries where it was less of a problem there has been a deterioration: in Austria youth unemployment has been increasing from a previously very favourable rate by EU standards.

For such a dynamic economy, in Luxembourg surprisingly both female and seniors' employment are below the EU benchmarks, the latter partly because of a low average retirement age. Unemployment has been edging higher and although it is low overall, there are relatively high rates of long-term unemployment and unemployment of poorly qualified workers.

A labour market trend common to many of the RAMs is emigration of prime age workers, lured by the higher wages on offer in the higher income EU-15 Member States. The Lithuanian report, in particular, highlights this phenomenon and observes that it offers a way to escape social exclusion and poverty. The expert also stresses that substantial emigration has contributed to a fall in unemployment, a point echoed by the Slovak expert.

Poverty

There is enormous diversity in social conditions and in the groups most at risk of poverty and social exclusion. Because the expert reports vary in the data they present, with some making use of national sources to give the most recent information, rather than the statistical annex to the 2006 Joint Report on Social Protection and Social Inclusion, it is not possible to present a common table. Instead, some examples are offered. In Poland, for example, the expert report notes that the poverty rate is especially

high for children, but progressively lower for older age groups because of the history of the protection system. In the Czech Republic, since 1990, the distribution of income has been shifting to the disadvantage of children, though the Czech expert notes that his country is among the best performing countries in reducing at risk rates. He also observes that take-up rates appear to be reasonably good and non take-up is not seen as a social problem. Sweden's poverty rate is low, and its incidence is highest among single adult households, especially among single parents, among people outside the labour market and among immigrants.

The UK has a target for reducing child poverty substantially and, although recent figures show that it has not quite reached an interim target, has nevertheless made substantial progress. Reductions in pensioner poverty have been achieved. The UK approach to poverty reduction for working-age individuals is above all to activate the unemployed and, increasingly in more recent initiatives, the inactive. However, the UK experts make an interesting point about the dynamics of poverty reduction which is that as those most easily re-integrated into the labour market find jobs, a larger proportion of clients face multiple deprivation and are thus more difficult to place. They note that 'in general, commentators emphasise the need for multi-dimensional support, which may be wider than a "work first" approach suggests'.

Several experts point out that single parents, especially households headed by women, have high poverty rates or risk of poverty. In Latvia, the at-risk-of poverty rate in single parent families with one or more dependent children, increased significantly in 2004, partly because of inflation, and the expert notes that women are more affected than men by the risk of poverty. According to the Latvian expert, there has been a trend towards the feminisation of poverty with females more than males affected by the risk of poverty. An example of the effects of political change is in Latvian health provision. The Latvian political landscape is characterised by a short duration and high volatility of governments and coalitions. Consequently, the health system is subject to very different strategies, ranging from radical reforms such as the proposal to introduce a private health insurance system similar to the one in the United States, to maintaining the current tax-financed system.

In Cyprus, poverty is most acute among the elderly, especially women. The elderly represent the largest group among the poor population in Greece and in Portugal as well as being among the most vulnerable groups to poverty incidence. One new measure introduced by the present Government to counter old-age poverty is a supplementary pension, although it has been criticised for being overly bureaucratic. Having started with the eldest age-groups, it is being rolled out over the next three years to successively younger groups of pensioners.

In the Netherlands, recent data suggest that problems of social exclusion have become worse, with a growth in the number of households having trouble making ends meet. Indebtedness, arrears of rent, evictions and collection orders have also been increasing, and the experts note that 'the number of requests for debt assistance, for instance, has increased by 10% in a year's time and 'food banks' have been proliferating'.

The interplay between poverty and the labour market reveals many country-specific features and differences. In Estonia, the poverty rate has fallen slightly, but the expert quotes a qualitative survey that shows that the poverty period for those living in poverty has been increasing. The main factors explaining long-term poverty are structural unemployment, whereas long-term unemployment increases the probability of a poverty culture and social exclusion. Temporary work continues to be an issue in Spain where fixed-term contracts reached 32.5% of total employment, more than double the EU average, with women, young people, immigrants and low-skilled workers most likely to be on this type of contract.

In Denmark, the main targets of social inclusion policies are marginalized groups, children and youths at risk of poverty, and ethnic minorities. The Danish experts' assessment is that the range of measures is good in relation to marginalised groups and that public support for dealing with the problems is firm. On the other hand, there is still a lack of sufficient knowledge about the reasons behind marginalisation and insufficient evaluation of policy measures.

A common trend is for income disparities to increase, often with knock-on effects on other factors affecting deprivation. For example, in Austria, there has been some increase in the inequality of income distribution that has, in turn, seen an increase in the indebtedness of the less well-off. Inequality in wealth has also increased. Indebtedness is also an issue pointed out in the Spanish report with poorer and younger households most at risk. In Germany, public transport cuts in rural areas mean that people - in particular older persons - who are not car owners are increasingly subjected to social exclusion from lack of mobility.

Immigrants and ethnic minorities

Immigrants and ethnic minorities are identified as disadvantaged in nearly every Member State, often with substantial gaps in relevant indicators compared with the native or majority population. A good example is Denmark where ethnic minorities exhibit significantly lower scores on social indicators such as the employment rate, especially among women. There is also a high educational drop-out rate and they have lower income for both employed and unemployed than ethnic Danes. The Danish experts conclude that there is a further risk of financial exclusion. Sweden too has a markedly lower employment rate for immigrants, which the expert considers may be explained partly by the proportion of refugees in the immigrant population, as opposed to economic migrants who, by definition, are motivated to work. A further observation is that 'time spent in Sweden, which can be seen as an indicator of accumulation of "Sweden specific" skills, is positively correlated with labour market performance'. An interesting observation is that Non-Estonians are more active job-seekers than ethnic Estonians.

In several countries, there are classes of immigrants for which the systems struggle to cope. Growing immigration into Spain is an illustration: the Spanish expert notes that 'an increasing number of sub-Saharan men are finding themselves homeless, or living in shanty towns near employment sources and receiving help from NGOs as well as from the Civil Guard who try to take basic aid to them and help them in legalising their situation, but without an employment contract this is extremely difficult, and in some cases, because of their legal situation, repatriation is not possible either so that policing is not being effective as there are not enough internment or housing facilities'. These men face stiff competition from women immigrants for Eastern Europe in agricultural work, for example. In the Netherlands, unemployment is double the national average for youths and ethnic minorities and worst for groups of non-European origin. Research quoted by the Portuguese expert stress that being a recent immigration country, Portugal has not developed social policies aimed at the specific needs of these populations which increases exclusion vulnerability for these families and their children.

The deep-seated nature of deprivation is manifest in the educational attainment of the third generation of immigrants in Germany of Turkish and Italian families who have on average the worst secondary school qualifications, problems with vocational training and access to the labour market, whereas the problems are considerably smaller for other ethnic minorities. In Spain there is concern about the concentration of immigrant children in the public school system. A special case in Germany is immigrants of German origin from Eastern Europe: adults mostly find work, though often low wage, unskilled jobs, but their children have to confront problems of integration and, in common with youths from Turkish or Balkan origin families, have above average criminal propensities.

Not surprisingly the precarious position of the Roma is mentioned by the experts for all the countries in which they are resident, with criticism in several that not enough is being done. However, the Slovenian expert acknowledges that, in last two years, efforts by the state to improve the position of the Roma in Slovenia have been strengthened.

Gender

A source of gender problems in several countries is whether benefits depend on contributions. The Spanish expert mentions that women are more likely to receive non-contributory benefits, but also points out that means testing in one assistance scheme she describes can have strong work disincentives for women in particular.

The UK experts assert that many of the government's policies have been very positive for women, citing reforms to benefits and tax credits that have transferred substantial amounts of benefit from men to women. There has been a marked increase in lone parents in employment and many of them are now better off and it is women who have benefited most from increases in the minimum wage. Pension reforms are also expected to favour women. This has been a result of a gender budgeting initiative that has advised the government on the planned reforms, showing that a concept in use in development economics can also prove useful in more affluent countries. However, the UK reforms still fall short of being an explicit gender strategy on poverty.

One aspect of gender that deserves to be stressed is that the indicator used can affect assessments of the position. Thus, the Polish expert sees no important gender specific differences as regards the poverty risk, but argues that differences in the situation of men and women appear if the persistence of unemployment and poverty is examined. Women are in a much worse situation in this respect than men, as can be seen in some of the discussion of poverty, above.

Financing issues and challenges

The reports from most of the recently acceded Member States show that expenditure on social protection in these countries is well below the EU average as a proportion of GDP, although it is increasing in several of them. Growth in social protection expenditure has also been a feature in Greece over the last decade as it has reconfigured social policy.

Because of extensive cross-border commuting many concepts for measuring employment rates and so on have to be modified for Luxembourg. To take account of its specific situation, Luxembourg thus uses the notions of 'emploi intérieur' and of 'emploi national'. Social charges on commuters help to keep the financing of social protection in balance and to lower the de facto average age of workers.

As a result of many years of deregulation and decentralisation processes, active inclusion policy has moved from the national level to the local level in the Netherlands. A tension is evident between the increased demands on municipalities to implement social policy and budget restrictions.

Greece has seen a shift of emphasis in employment policy towards improving the employability of the social vulnerable groups instead of relying on income support measures and other traditional passive measures. A substantial increase in the number of structures and programmes providing community social support and care services distributed around the country has also been observed, though ensuring their financial sustainability when the European Structural Funds (ESF) comes to an end, constitutes a challenge ahead.

Tax reform more generally raises various concerns. Countries that shift from financing social protection through social charges to VAT or other tax bases will tend to shift the burden among social groups. Similarly, as the Slovenian expert notes, implementing a flat tax on incomes – as several RAMs have now done - may seem like an appealing shift from the perspective of revenue raising and incentives to the employed, but can accentuate inequality by removing the progressive element. There is therefore a tension in this context between efficiency and equity objectives. On the other side of the public finances, an evident problem in Italy is that the financial dimension of government decentralisation is still not fully worked out as a functioning system of fiscal federalism, together with the definition of nation-wide levels of basic rights and services. In Spain the recent reform to regional government statutes will also change the financing for social services while social protection remains centralised and is also undergoing a number of reforms.

One other issue mentioned by the German expert, that has elicited conflicting views, is fraud and abuse, with disputes about who is to blame. A possible explanation put forward is that rushed reforms may have contributed to implementation problems.

3.2 Recent policy changes and legislation

Across the EU, there has, in the last year or two, been an impressive range of policy developments and new legislation in the field of social inclusion. This is hardly surprising in view of the many challenges confronting welfare states, but it also provides a rich brew of approaches with potential for policy transfer. In some cases, recent changes of government have resulted in major shifts in approach that have resulted in radical legislation or proposals for new laws. What is also striking in a number of Member States is that changes in the pipeline encompass so many different facets of the welfare state. In several countries social policy has become very prominent on the policy agenda. Change has been prompted by crises, shifts in government and in some cases by fundamental rethinking.

Thus, in Hungary, the administration that came to power in 2004 fundamentally altered the government's philosophy concerning poverty. While its predecessors concentrated resources on maintaining the position of the middle classes and middle class families with children, the current administration is targeting assistance to those families that need it most. From 1st of January 2006 the three benefits (family allowance, tax deduction and regular child protection support) have been replaced by an across-the-board family allowance payable to every family with children. A more equitable form of social assistance was also introduced to give financial support for people of active ages and out of the labour market.

A good example of topicality is France where recent events have led to social inclusion issues rising to the top of the political agenda, but equally to a rather incoherent response in which the juxtaposition of different measures and the frequency with which changes have been introduced have, according to the French expert, left actors on the ground struggling to keep pace. In Luxembourg, too, there is a wide array of legislation in progress, touching on different elements of social policy, though the experts note that its sheer volume and the need for consultation mean that it tends to be a slow process. Moreover, there has been intense debate in Luxembourg over how to deal with, first, the transposition and implementation of EU directives covering areas such as asylum and equal opportunities; and, second, the establishment of a legal framework for what the experts describe as 'les initiatives dites initiatives sociales en faveur de l'emploi'. A series of major reforms or reviews has been announced or published in the UK. These include the final report of the Pensions Commission, the announcement of a thorough-going review of child support and the Welfare Reform Green Paper. A Commission on the gender pay

gap published its report. There is an especially lively debate on pensions in the UK with planned implementation of much of the Turner proposals.

In Ireland, the evolution of social policy has been dominated by the negotiations on a new national development plan up to 2013, and of the seventh national partnership agreement (Ireland's social pact). A new minister of social affairs has taken office whose reform agenda casts the benefit system and income support in an activating role, while also seeking to enhance family well-being, addressing child poverty and improving the situation of the elderly. There has also been a disposition to improve the situation of those on low incomes and to confront the large inequalities that characterise Irish society. Political attention therefore has been more closely focused on the welfare adequacy targets set in the National Anti-poverty Strategy and the current NAP/inclusion. The two most recent annual Budgets have included a strong commitment to those on lower incomes.

Varying orientations for reform

In Italy the focus of much recent policy change has been on the family, narrowing the scope for a wider 'universalism with selectivity' approach by putting less emphasis on other client groups. This appears to continue in the principal legislative act identified by the Italian expert, the national financial law for 2006 (Law No 266/2005) that, while reducing resources devoted to social policies managed by regional and local authorities, introduced the "family and solidarity package" (directly managed by central government) comprising:

- A monetary allowance for every child born or adopted in 2005
- A monetary allowance for a second and additional children born or adopted in 2006
- A discount of nursery fees paid in 2005
- Support for young workers with term-fixed-term jobs who wish to purchase a flat

In Finland, some themes closely connected with poverty and social exclusion have recently been subjects of public discussion. These include: the development of the Finnish public service model (i.e. the role, tasks and responsibilities of municipalities vis-à-vis the state); the risks of social exclusion of low-income families with children; and the mass dismissals of employees by important international companies.

For several countries, one of the most intractable problems is how to push forward labour market reforms and there is evidence that it is a protracted process, an example being the long-running efforts to reform the Portuguese Labour code. Similarly, the extensive national debates in spring 2006 over the French 'Contrat Première Embauche' (CPE) proposal showed the political sensitivity of such changes. A major labour market reform in Spain has now been signed after a negotiation process lasting almost two years. Its effect will be to re-balance the dual labour market by reducing incentives for fixed term contracts and easing firing costs. It will do so by phasing out the present incentives to hiring under this type of contract before making workers indefinite, widening the incentives to convert fixed-term contracts into indefinite contracts for men between 16 and 30 years of age, and creating a new incentive for women returning to work after 5 years of absence. It also improves measures for hard to place groups and makes the Active Insertion Benefit (Renta Activa de Inserción, RAI) an entitlement. The new Law on Dependency will have a direct impact on the finances of the social protection system as well as on the scope for inactive and informal carers to have their caring periods recognised for pension entitlements, or to increase their opportunities for employment through more direct support to dependent persons.

Countries which have faced substantial political challenges are now gearing up for extensive reforms. In Germany, new legislation is being planned in a variety of areas, now that the political uncertainty of the year 2005 is settled. A major change is the decision to raise the pension age limit, beginning in 2012, so as gradually to increase it from the present 65 years to 67 years.

In January 2006, the UK government published a Green Paper on welfare reform, a core aim of which is to raise the employment rate to 80%, principally by activating those on incapacity benefits. The proposals for reducing numbers on incapacity benefits include: a new gateway to benefits for people with illness and disabilities; revision of the medical assessment procedures, focusing on ability and support needs, rather than incapacity; mandatory work-focused interviews, supported by a mandatory action plan of return to work activity for new and existing claimants; and a new 'employment and support allowance' (combining contributory and means-tested support). Delivery via voluntary and private organisations is suggested for certain elements (such as Pathways to Work for those on incapacity benefits, and plans for cities to develop labour market activation strategies).

Initiatives and legislation

As the foregoing examples show, major changes that affect social inclusion policy arise both from political shifts in direction and from the enactment of legislation. The Maltese expert notes, however, that change can be difficult to enact when a population has grown accustomed – as it has in Malta -not only to a certain level of public services, but also to the expectation that the 'state will provide'. Despite such constraints what is striking about many of the developments cited in the expert reports is the scope of current and prospective changes. Box 3.1 presents a number of examples, the common thread in which is the extent to which the overall shifts can be expected to change the national approach.

Specific reforms

While many of the reform proposals cited in the national reports are major ones, there are also more focussed, sometimes quite specific priorities emerging. Examples are:

- Prevention of violence against children is a current priority in Lithuania
- There is a wide-ranging concern about education at all levels in Portugal. An example in higher education is the 40% failure rate during the first year at university. In this area the Government has committed itself to reward students who achieve better performances and to encourage more working-students.

Box 3.1 Examples of political initiatives and major legislative changes

The principal legislative development in Belgium in recent months is the 'Generation Pact' approved by Parliament late in 2005.

A significant Social Support Act is now going through the Dutch Parliament. It is an amalgamation of the Social Welfare Act, the Services for the Disabled Act, and parts of the Exceptional Medical Expenses Act (AWBZ). The national government has given free reign to local government to establish its own priorities. The aim of the Act is "that everyone, - old and young, disabled or not, with or without problems -, can participate socially." It will result in greater obligations on municipalities.

Austria has had a succession of new pieces of legislation in 2006, including: a law that is expected to reduce the flow of naturalisations and, more generally, to deter immigrants; a new vocational training and education act and a new equal opportunities act that has comprehensive scope in outlawing discrimination and strengthens support for disabled workers.

In the Czech Republic a key legislative change is the *Act on Minimum Subsistence and Existential Amounts* and the *Act on Assistance in Material Need*, approved by Parliament on March 14, 2006, and due to come into force from January 2007. For social services, the *Act on Social Services* was approved by the Parliament in March 2006 and is expected to come into effect in January 2007.

The Estonian government approved and sent to the Parliament amendments to the Unemployment Insurance Act and the Employment Contract Act with the main objectives of improving protection of people who have repeatedly experienced unemployment.

In Ireland, the coincidence of the renewals of the national development plan, the social partnership and the social inclusion strategy affords a unique opportunity for streamlining. The development plan is expected to have a broad social inclusion objective and to agree that social inclusion will be mainstreamed across its different objectives. It is also anticipated that it will highlight a number of horizontal issues such as social inclusion, gender equality and rural inequality.

Portugal is nearing the end of a protracted process of reform of the Labour code and in April 2006, the Government established the main guidelines for the revision of the unemployment allowance which is due to be implemented in the second semester of 2006.

In Slovenia, the arrival in power of a more market-orientated government is resulting in extensive, market orientated reforms that will have pronounced social impacts, even though the Slovenian expert notes that these reforms are most often presented as economic. Yet despite public concern that these reforms will weaken the welfare state in the name of the higher economic growth, there has also been a social protection act that established minimum resources.

In November 2005 Hungarian employment law was amended and provisions were made more job-search focused. In addition, a new government program combating child poverty was launched within the framework of the Hungarian Academy of Sciences.

Until its re-approval in April 2006, the Slovak Act on Social Insurance was amended 15 times in Parliament in the span of 3 years, with almost 300 alterations made to it.

- Latvia's main priority in pensions policy is to improve the living standards of pensioners
- Lower social charges are the latest in a long line of measures being tried in France to counter youth unemployment
- Child-care is adjudged to be insufficient in Germany and the experts note that: 'rectification of the shortfall in child care facilities and all-day schools is already placed very high on the political agenda of federal politics, but is still counteracted to a considerable degree by the actual practice in a large number of Länder and municipalities'
- In Germany there is also a lively debate about introducing a formal minimum wage

Delivery of policy

In several Member States change is afoot in the modalities of the delivery of social inclusion policy, with shifts among tiers of government, differing resort to non-governmental bodies and delegation to agencies among the answers being adopted. A good example is in Denmark where a reform of local government due to come into force in January 2007 will reallocate many responsibilities for social policy from regional to local government. This reform will mean, in particular, an integration of policy delivery for employment and social assistance under the local authority. However, it has caused some concerns about the capacity of the local level of public administration to deliver effectively. Central government will establish a monitoring agency to benchmark local performance. Similarly, the high level of

decentralisation is an important issue in Spain. The recent processes of governance reform in the Autonomous Communities are a key trend, although the expert points out it is too early to make an assessment of what the final situation will be with respect to new or enhanced competencies in the area of Social Services and social inclusion policies for the regional authorities.

The involvement of voluntary agencies in delivering social policy has been an issue in a number of countries, occasioning legislation in some. In Cyprus, an important recent legislative development is the new Law for the Pancyprian Volunteerism Coordinative Council (PVCC) which came into force in May 2006. The PVCC is the continuation of the Pancyprian Welfare Council and it has a broader role to coordinate and develop the voluntary sector. In Luxembourg, NGOs are seen as experts and play a prominent role in developing policy, suggesting that informal networks are influential. They obtain funding from the government for this purpose.

3.3 Overview and assessment of policy directions and common trends

The previous section has demonstrated that a number of orientations in policy development can be discerned among the Member States, though it is also evident that there is an intense debate taking place in many countries about the future direction of social policy. Although the differing circumstances, social models and political priorities of the Member States inevitably mean that it is difficult to compare like with like, some general directions can be identified. Moreover, concerted attempts to deal with acknowledged problems can be seen in a number of countries.

Individual responsibility and conditionality

A first common trend is the shift towards holding individuals more responsible for their well-being, eroding the notion of solidarity. The Slovak expert notes that reform catchwords have been 'individual responsibility', 'motivate to work' and 'downsize the redistribution'. The government paid special attention to 'how will the proposed changes contribute to the decrease of unemployment, to the decrease of financial demands for tax-payers and to the increase of job-seekers motivation.

At the same time, several countries are tightening the rules on invalidity benefits, partly in response to the perception that these benefits have become a form of hidden unemployment that is not reached by existing activation measures. There has been some decrease in invalidity in the Netherlands which, no doubt, reflects policy changes. Similar decline is evident for minimum income claimants. In Sweden, too, invalidity remains a concern, although the trend has been for it to decline since 2002. The issue of a return to work of RMI (Revenu Minimum d'Insertion) claimants is rising up the agenda in France. Yet again, reform measures seek to reinforce this and some hardening of controls on eligibility is envisaged.

Conditionality appears to be on the increase in a number of domains and is not confined to eligibility for cash benefits. The German Immigration Act has made language courses for immigrants obligatory and there are also semi-obligatory German language courses for immigrant children on the local and state level to an increasing degree. Similarly, new legislation passed in 2006 in Austria is expected to reduce the flow of naturalisations and, more generally, to deter immigrants. One contested policy is compulsory language courses that have to be paid for by immigrants. There is much debate, but only limited action on social housing and a controversial Flemish language competence test for a scheme in Flanders.

Increased targeting

A second trend is in focusing anti-poverty strategies more sharply on specific groups. There is variation between countries, although where a trend has emerged it is typically in response to hard evidence that poverty was being experienced disproportionately by a segment of the population. Thus several Member States have chosen to act specifically on child poverty, while others have sought to remedy pensioner poverty, with a minority targeting both.

Immigrants also appear to have been targeted in many countries. Immigrants typically have worse housing conditions, have limited access to social housing and face a significantly higher risk of poverty in many countries. It is, for example, two to three times that of native Austrians where, because of links between the welfare authorities and immigration control, take-up of benefits by immigrants is low. An alternative approach is encapsulated in a law passed in Portugal in 2006 that makes it easier for second and third generation immigrants to obtain Portuguese nationality and does not include a language test as some politicians had demanded.

Immigration is, moreover, often politically sensitive. There is growing agitation in Belgium about undocumented immigrants, even in the case of clear evidence of their integration into society – sometimes pitting church against state – with tougher attitudes from government in giving only benefits in kind, rather than cash, for asylum seekers. There is also evidence of NIMBY (not in my back yard) attitudes by local authorities who try to settle asylum seekers in other localities. A contentious issue in Slovenia - a consequence of the break up of Yugoslavia - is that it has an at risk group known as the 'erased' who were erased from the register of permanent residents of Slovenia, because they didn't apply for Slovenian citizenship. Almost all of them were from the former Yugoslavia. The decision was thrown out by Constitutional Court, but remains a problem and a backlash led to a referendum which went against the 'erased'. The lives of the erased residents were very difficult insofar as they were exposed to precarious work and, because they lack the right to social benefits, they lost pensions. A knock-on effect was that they could not participate in the non-profit housing schemes etc. There is no research on their social and economic status and they are not included in the statistics on poverty, because many of them still don't have any status or have the status of foreigners with permanent residence.

One area where there appears to be a shared desire to achieve change is in relation to disability. Austria's new equal opportunities act is comprehensive in scope in outlawing discrimination and, in particular, strengthens support for disabled workers. Many other Member States are also making a big effort to integrate the disabled, for example in Estonia where it is highlighted as a social objective in the National Development Plan. France too has recently introduced new measures for this purpose.

Belgium's 'Generation Pact' is supposed to assure more jobs for youths, to help to keep older workers active and to make the social security system affordable and sustainable. The Belgian expert applauds the good intentions, but expresses doubts about its likely impact, not least because it is replete with exceptions. While a key aim is to curb early retirement, the Pact also extends a scheme to allow older workers to reduce their working hours by a fifth for those over 55, whereas over 50s are no longer to be eligible. The Pact envisages a further shift away from labour taxes to VAT for the financing of social protection

A few experts point to the role of different forms of social enterprise in linking the most marginalized to the labour market, as in Austria, where the estimate is that they manage to reconnect one third of clients to regular jobs. Austria has also experimented with the service cheque which has been introduced to combat illicit employment and also to provide social insurance for those who provide domestic services – especially immigrants. However, the expert argues that the service cheque will not reduce illegal employment due to the fact that the majority of people rendering household services have no labour

permit and therefore cannot benefit from this scheme. It would furthermore be an incentive for employers to substitute the employment of qualified staff in nursing services by the more flexible service cheque and therefore undermine the social security of the employees. Service cheques are purchased by prospective employers and used to pay casual workers, with a proportion of the amount paid contributed to social insurance. A similar service vouchers system in Belgium is reported by the expert to be a runaway success, but so much so that it may become financially strained. Italy too has seen experimentation with vouchers, as in a scheme for a locally-based voucher for reconciling family, work and social life called DOCET (see box 3.2 below).

Box 3.2: The Italian DOCET pilot project

DOCET is a pilot project (co-financed by the ESF Objective 3 and the Emilia Romagna Region – North of Italy). Following an in-depth analysis on the needs of women employed in “atypical” jobs (e.g. fixed-term and temporary work), an approach was identified that would facilitate the organisation of work, family and social life: a service-voucher. The voucher allows the concerned persons to utilise the following services: person care regarding both minors, ill, disabled and elderly people; housework (including catering); transport; maternity support both for women and men in low social protection conditions.

Administrative and financing reforms

Ensuring the long-term sustainability of the social security is a challenge that many governments are confronting. For example, it is identified by the Portuguese experts as an issue that is a priority for the government which has just presented a new proposal for the reform of the Social Security system that is now under discussion among the social partners. It will aim to stabilise demand for pensions, but also to increase revenues and long-term contributions.

One factor that has affected social policy delivery in a number of countries is the degree of devolution in implementation of policy. A variety of policy challenges arises. One is resources, with many experts noting that despite increasing demands on municipal authorities, the funding made available from central government has been restricted, a point highlighted by the Czech expert. A second issue is administrative capacity, which is often lacking, especially in smaller municipalities. The consequent risk is that the provision of social protection is determined by a location lottery. A third issue is differentiation of rights and obligations at regional and local level, as is the case of Spain.

Germany's federal structure complicates a coordinated consistent mainstreaming of social inclusion policies, although mutual learning processes (the EU *Peer Review* programme) are having an impact in this regard. In the spring of 2006, the debate that flared up on the obligation on immigrants to take tests as part of the procedure to obtain German citizenship highlighted differences between Länder. Nor is the problem confined to federal Member States. One of Hungary's biggest problems is the exceptionally low official employment level especially among people with low educational attainment. The Hungarian labour market is highly segmented: there are serious regional inequalities in opportunities to access employment, with the result that location plays a big role in shaping the activity rate.

A development from June 2005 in Belgium is that the system for monitoring the NAP/inclusion has become open to the public, as promised. However, the expert considers that it is only partly responding to expectations, with shortcomings in information and the impact of policies. Problems with the software to allow citizens access to the information may be to blame, according to the expert. A further problem in Finland is the difficulty of finding qualified staff for social offices and health centres. This seems to be also one reason that makes it impossible to solve the motivation problems of excluded people by social and employment offices alone.

3.4 Progress in policy and measures

The experts offer a wide range of commentary and criticism on national social policies, pointing out problems in the current policy framework, the implementation of policy and the linkages with other policy processes. In particular, the connections between social inclusion policy and the Lisbon National Reform Programmes are frequently cited as unsatisfactory. The realism of public plans also emerges as an issue in many reports. Thus, the Portuguese expert believes that the key policy areas and general orientations followed by the present government address the key challenges Portugal will have to face and that there is a clear political commitment towards these objectives. However, the report of the Portuguese expert expresses doubts about the administration's capacity to match ambitious and well defined objectives with adequate programming, timing, target quantification, adequate budgeting, clear definition of responsibilities, identification of stakeholders and effective monitoring.

The Dutch experts attribute a worsening of social exclusion – as demonstrated by back-sliding on some key indicators - to a change of paradigm from protection to activation that had already been apparent since the 1990s, but now taken further by an increasing shift from collective to individual responsibility. They quote a recent written statement from the Minister and the State Secretary

“The cabinet has exerted itself to combat poverty and social exclusion as much as it could. In this effort, the emphasis of cabinet policy is on fostering the skills with which people will be able to manage, which will provide them with better prospects on the labour market, and will enable them to fully participate in society.”

Examples are cited of three recent revisions of Dutch social policy: the revision of the social security system, the new Health and Social Care Insurance Act, and the Social Support Act. Many of the changes that are now taking place result from the reform of the Social Assistance Act in 2004 which has placed greater obligations on claimants while giving them incentives to become active. The experts consider that the effect has been to engender a switch from problems of abuse or excessive resort to the system, towards problems caused by widespread reductions in benefits.

Politics emerges as an issue in several countries, such as Italy and France. In the latter, the expert reports drift rather than action in key policy areas of social protection, such as employment, housing and non-discrimination. It seems likely that next year's presidential elections may see renewed debate on the way forward, although current trends may persist until 2009 given the law in force.

Specific shortcomings

Under-employment is an issue in several countries: for example, the Portuguese expert notes that high levels of under-employment are a key aspect of the job precarity which has been one of the most important structural problems in the Portuguese labour market, with important consequences regarding its impact on poverty. In a number of countries, too, informal employment continues to be significant. The Maltese expert observes that ‘many persons who are, on paper, idle and therefore benefit from social security, are in fact not so, and draw money both from the black economy, from social security, as well as from various other sources run by NGOs’.

The German experts conclude that ‘despite the funds spent on family policies to a considerable overall extent, Germany has so far not succeeded either in guaranteeing the compatibility of family and occupation or in combating effectively poverty at an early age or in adolescence as well as among single parents and large families’. They are also critical of childcare arrangements which they adjudge to be insufficient: ‘rectification of the shortfall in child care facilities and all-day schools is already placed very high on the political agenda of federal politics, but is still counteracted to a considerable degree by

the practice in a large number of Länder and municipalities'. Manifestly, other countries also face similar challenges, but it is clearly a salient political issue in Germany today.

In several countries, the national reports draw attention to inadequacies in social housing provision. In Italy, the expert concludes that the current provision, together with other measures aimed at families, falls well short of the needs of families, and that the unfinished reforms aimed at decentralising and co-ordinating of public administration have made matters worse.

The content of NAPs/inclusion and policy coherence

In commenting on the NAP/inclusion currently in force in their respective countries, the experts articulate a variety of criticisms. Policy coherence and co-ordination across different agencies and levels of governments is pinpointed repeatedly as a problem, and in a number of cases a lack of strategic content, is highlighted, with the suggestion that NAPs have been pulled together from disparate documents, rather than having an over-arching framework. A clear message from several experts is that NAPs are prone to try to cover too much without having enough co-ordination and that matters could be improved if collaboration between different actors were better structured and priorities were better articulated. Greater transparency on spending is also mentioned as a desirable shift.

Co-ordination among different levels of government or between governmental bodies and other agencies also emerges as a difficulty. An example is in Spain, where regional authorities are responsible for various services and some benefits outside the main social protection system, but the Spanish expert observes that their interventions are not co-ordinated with the (also decentralised) public employment service. As a result, she comments that the outcome is that monitoring of the individuals is particularly difficult, as once the person leaves a programme, there is no follow-up monitoring to make sure that she or he becomes part of the mainstream labour market, in particular if the beneficiary moves to another region and sometimes even to another municipality within the same region.

A related concern is that key facets of social exclusion, such as the provision of housing or dealing with homelessness, which may be the responsibility of ministries different from those most directly involved in preparing the NAP inclusion, can be inadequately addressed. As a result, some of the most vulnerable individuals may be missed in the priorities of the NAPs. For example, the Slovenian expert criticises the absence of priorities and specific goals for housing needs, despite this being one of the major problems in the country, and notes that the problem of evictions is not addressed.

The gender dimension of social inclusion is often lacking in either the NAP or other strategic documents and an inference to draw from some of the expert critiques is that there can be a gap between the ambitions laid out in the documents and what is actually provided. Thus, the Italian expert finds that despite a focus on nurseries both at territorial and company level, there is still a low degree of accessibility to these basic services, confirming the very general nature of the NAP inclusion and the dearth of specific targets.

Whether specifically mentioned or not in the NAP, policy coherence is manifestly at the heart of many of the criticisms expressed by the experts. One concern is that effective mainstreaming of social inclusion problems into different sectoral policies requires the co-ordination of labour market and social policies which is often lacking. Insufficient co-ordination and consistency of policy across policy domains may impede their effectiveness, as in Greece and Finland where the experts stress that labour market policies, income support schemes, as well as public services have been developed separately and lack sufficient connection as well as a legislative framework suited to achieving better approaches to active inclusion and empowerment. Another issue raised by several experts is the quality of collaboration with

NGOs which, in some cases is shown to be unsatisfactory (Poland is an example), even though there is growing evidence that if well-organised, such collaboration can be very beneficial.

Several report that there can be anomalies in the support for different groups of claimants, arising either from the implementation of rules or from (possibly unintended) consequences of reforms. For example, in the UK, consistency across (and also within) benefit regimes can be a problem, as there are differences between classes of welfare in the indexing of benefits. The experts argue that this is unjustified and that the differentials between different groups of claimants are based on no assessment of relative needs. Problems also arise where new incentives are linked to employment. In Italy, low income families do not receive significant benefits from recent reforms, according to the expert, who notes that tax exemptions are of no value to the poorest families (*incapienti*) as they do not receive any advantage from the fiscal rebates in terms of monetary compensation, in-kind benefits, assistance and services (e.g. school, training, health, housing, employment). Some experts also note that income support for the individuals furthest from the labour market is insufficient or suffers from problems of take-up. Thus, in Poland, even taking into account the gradual increase of the temporary social assistance benefits planned up to 2008, the expert argues that this problem will persist.

4 Active inclusion and minimum resources

The national reports show that all Member States have a variety of arrangements that can promote active inclusion of those furthest from the labour market. There are however, differing philosophies underpinning the different arrangements. The Swedish expert, for instance, notes that 'the overarching aim guiding the Swedish welfare state model is to include the whole population in a general welfare policy system and as much as possible avoid programs that are specially designed for different more or less vulnerable groups. The firm belief, around which there is a considerable political consensus, is that this policy is highly efficient in alleviating poverty and social exclusion'. In other Member States, the approach is much more targeted. Denmark, for example, while sharing many elements of the Swedish model, tends to focus on marginalised groups who are dysfunctional in specific ways (substance abusers, for example).

The issue of active inclusion and minimum resources is relatively new in the political discourse and practice in certain Member States, such as Portugal. The so-called 'new generation' of social policies was implemented in Portugal only after 1996, while in Greece, the issue of active inclusion and minimum resources has not yet led to specific policy action. In other countries, it is at the heart of welfare reform. The Italian expert makes the observation that 'income support in Italy is a complicated issue', and goes on to detail the chequered history of minimum income guarantees. There are both regional and national schemes, although there has been a protracted constitutional dispute about a key measure known as the *reddito di ultima istanza* (RUI). There are also unemployment related forms of income support, as well as a range of different pensions that assure income support for the elderly. The expert notes, too, that complication is a feature of services targeted at the excluded, in a system fragmented by a large number of laws and regulations, and characterised by a complicated network of relationships.

In the UK report it is explained that the government describes means-tested benefits out of work and tax credits in work as a 'guarantee'; and the UK's social assistance scheme is recognised as comprehensive. However, it could be argued that this is not in practice a 'guarantee' when take-up by those entitled is not complete; when (as was noted by members of Parliament recently), the benefits system is becoming increasingly complex. Take up for different benefits ranges from 70-90% - according to the experts, though tax credits claimed by the able-bodied childless only attain a 13% take-up rate. Hungary's 100-Step Program, initiated two basic measures to combat family poverty: it transformed the family allowance and social assistance systems.

4.1 Minimum income schemes and their adequacy

Nearly all Member States provide forms of social assistance that guarantee at least a subsistence income, although there are manifestly huge differences among the Member States in the generosity of these schemes, the eligibility conditions imposed and the duration of the support. The broad contours of the systems in place are fairly well known and are described in detail in the expert reports. However, it is useful to try to tease out some of the characteristics that either represent common ground or distinctive elements in the different approaches.

A first obvious variable is generosity. What constitutes a minimum income (MI) varies considerably among the Member States and, not surprisingly, is also influenced by overall prosperity. Two broad approaches can nevertheless be distinguished: the setting of the level of minimum resources in relation to some average, such as median income; or the calculation of a subsistence level which the MI is

intended to cover (even though, in some cases - Poland is an example - the experts query whether it is adequate even for this limited purpose).

Although there are many countries where attempts are being made to make systems less generous, not least by tying assistance to labour market activity, it is not a universal trend. Lithuania is among the countries which are attempting to improve schemes intended to ensure adequate minimum levels of income through guaranteed minimum income schemes, social pensions or universal social assistance guarantees.

Generosity is also affected by what the MI is calibrated to cover, with housing costs in particular as a component that is subject to variation across Member States. A presumption that housing will be provided by friends or family is one means through which MI outlays are curbed (for example, in the Czech Republic where recent changes have seen a separation of social assistance from housing-related benefits). Family policy is also a factor, with changes designed to assist larger families as a recent development in Italy and Slovenia.

How minimum income support is assessed and indexed is clearly a pervasive issue. Thus, in the Czech Republic, it is means-tested and is uprated to reflect price inflation, but with low price inflation it has fallen relative to the average wage. A contrast is drawn by the expert with the minimum wages which have been rising progressively relative to the average wage and to the minimum subsistence level, although he also notes the low coverage.

Eligibility rules vary considerably. In Member States with a social insurance tradition, social assistance is an entitlement, although the contributory element may be critical. In Spain, for example, there is a distinction between contributory and non-contributory benefits that affects what an individual receives and Spain is one of a number of Member States where there are differences at sub-national level in the way eligibility is assessed. Many countries, on the other hand, employ varied forms of means testing, a good example being Ireland where the expert notes that a high proportion of benefits continue to be means tested.

A second factor in eligibility is how entitlement to continued assistance is determined. In Germany, through the 'SGB XII', all citizens in Germany substantively have a legal claim and access to social transfers providing minimum security, whereas in Poland, a social worker has, in certain circumstances, to validate a claim to continued support. These sorts of rules, in turn, affect the duration of assistance.

The degree of complexity of social assistance is a further issue. In France the Revenu Minimum d'Insertion (RMI) can be seen as a pretty straightforward social assistance, directly affecting over 5% of the population, and possibly as much as 10% if dependents are counted. By contrast, in Ireland, the expert notes that an outstanding feature of Irish provision is a complex system of categorical social protection schemes directed towards (very) particular segments of the population. More than 30 different social protection programmes exist. Complexity coupled with overall inadequacy of cash benefits are characteristics of the Greek system of social provision. The lack of a universal guaranteed minimum income is partly counterbalanced by a complex system of a great variety of scattered and un-coordinated income transfer schemes (categorical social assistance schemes) aiming at the financial support of specific population groups or groups living under certain socio- economics conditions. The likelihood is that the more complex the system, the harder it will be for claimants to access it and thus the take-up will be lower.

Examples

Some examples illustrate the range of approaches to minimum incomes. Three smaller Member States (Luxembourg, Slovenia and Sweden) present interesting contrasts that comprise alternative approaches.

Active inclusion in Luxembourg encompasses a range of actions, such as:

- A variety of social assistance schemes
- Advice on indebtedness
- Services for excluded adults
- Special 'proximity' employment

Similarly, there are many ways in which the unemployed are assisted, from passive unemployment benefits to training and hiring subsidies.

Slovenia's social protection act established provision of minimum resources, with the amount of the minimum income determined once a year with reference to the index of growth of living expenditure in the last 12 months. There are four kinds of financial social assistance:

- Temporary social assistance according to circumstances of the applicant
- Permanent social assistance – for people over 60 years of age, who cannot provide for themselves, have no-one to take care of them and are without any income
- Extraordinary financial social assistance – in emergency cases in which the income can be slightly higher than minimum income. It can be given for not longer than two months
- Extraordinary financial social assistance that can be given just once.

Recipients of social assistance are also entitled to housing benefits but only up to 25% of minimum income. Other kinds of social assistance are: children benefits, parental benefits, child birth aid (in money or in kind), child care benefits, fathers leave, large family benefits, payments for the lost income and insurance for part time work.

In Sweden, municipalities have the primary (and extensive) responsibility for social assistance covering

- Social assistance which is a means tested income support system that falls under the Social Security Act
- Care for drug abuser, the homeless
- Care and support for disabled
- Care and support to the elderly
- Primary and secondary schools
- Pre schools
- Day care for children

4.2 Active labour market policies (ALMP)

Since the launch of the European Employment Strategy in 1997, there has been increasing resort right across the EU to all sorts of Active Labour Market Policies (ALMP). Yet it is also evident that Member States approach ALMP in very different ways and continue to do so in the context of active inclusion policies. Many different sorts of labour market activation are described in the expert reports. These can broadly be classified into four categories that can, tentatively, be grouped as follows:

- A social integration (or 'solidaristic') approach in which assured unemployment benefit continues to be paid, but is complemented by various forms of assistance to the unemployed individual to re-connect with the labour market. The countries, mainly in the 'corporatist' welfare state tradition, that adopt this approach traditionally emphasise passive labour market policies (possibly reinforced with training or other complementary support).
- A broad based approach to activation of the unemployed, with a range of training and work experience schemes or mechanisms for placing those with the weakest labour market attributes, allied to means tested benefits. Slovenia is a good example of this approach, although the expert notes that budgetary restrictions have meant that not all potential clients are reached.
- More focused activation measures that target specific excluded groups, as in Denmark, but devote substantial resources to the task and make income support conditional on participating in the reintegration schemes.
- What might be labelled a 'workfare' approach with escalating pressures on individuals to take responsibilities for their own inclusion by engaging in job search, to comply with obligations to attend interviews or to take lower quality jobs rather than those for which they might consider themselves best qualified. Several of the RAMs, such as Slovakia, have followed this route, though it can be argued that the UK system is also one which has tilted increasingly towards pushing inactive persons into employment.

What is also evident is that the boundaries between the different approaches are shifting. More countries seem to be moving in the direction of imposing obligations on unemployed or inactive individuals. In Portugal, for example, new rules include compulsory attendance by the unemployed person every two weeks at the local employment centre and the obligation to show evidence of job search activity. Behind such measures there is often a threat of withdrawal of benefit. One area where increasing attention is being paid to using ALMP is in efforts to reintegrate those on invalidity benefits. Improved incentives for those who opt for work are increasingly seen as a vital element in active inclusion, often captured in the expression 'making work pay'. For this purpose, tapering rather than abrupt withdrawal of benefits is being used in several countries (Hungary, for example as part of the '100 steps programme'), while tax credits (as in the UK) serve much the same purpose. Another illustration is the proposed reform of incapacity benefit in the UK which introduces the idea of a two-tier benefit, with a higher rate for those prepared to take steps to find work.

Use of the Structural Funds

For many Member States, the use of the EU Structural Funds to support ALMP has been pivotal, though there is concern about whether it can be sustained in a number of EU-15 countries, whereas the position is much rosier for the EU-10. ESF funds around 9% of Austrian ALMP, but is on a downward trend, according to a new Bundes Ministerium für Wirtschaft und Arbeit (BMWA) report. ESF-3 and Equal are the main Structural Funding instruments used in the Netherlands. The Dutch government is

focusing – following the reviewed Lisbon strategy – almost exclusively on projects directly related to labour market participation and had exhausted the ESF-3 budget before the end of the year. The Minister had to close the possibility for submission of new projects by the end of October 2005. EU Structural Funds have allowed several recently acceded members to implement significant increases in active employment measures. The Latvian expert asserts that this support has allowed more support to individuals in socially excluded risk groups in all regions of Latvia. But so too do some of the EU-15 Member States: Finland reserves 22% of its ESF funding for specific measures for the reintegration of the most vulnerable and disadvantaged groups. Spain also uses ESF extensively in programmes supporting integration into the labour market for specific groups with difficulties. In Greece, the majority of the measures implemented under the NAP inclusion rely heavily upon the contribution of the EU Structural Funds and especially ESF's financial resources.

Examples

Active labour market policy has a long tradition in Sweden where more than 100,000 people have been engaged in different activation measures during the past six years. According to the Swedish report, this helps to explain why Swedish long term unemployment has remained comparatively low. Denmark had a major reform of ALMP in 2003 to combine skill enhancement, work experience and subsidised jobs. The new German coalition government has, so far, maintained the thrust of the 'Hartz' reforms, and has also identified activation of older workers as a key aim. Under a scheme "Perspective 50 plus – Employment Covenants in the Regions", Euro 250 Mill. will be made available until the end of 2007. With the money from this project, pilot schemes for an improvement of the employment situation of older persons are to be financed in 62 regions.

In Austria, the expert finds that there is substantial deadweight evident in activation measures, but local evidence suggests that co-operation between welfare and labour market agencies lowers frictions and achieves better results. Links between employment policy and social assistance are inadequate, despite the development of Territorial Employment Pacts, and also vary by Land. An important reason is that competence for employment policy lies at the federal level, while social assistance is the responsibility of the Länder (regional level)..

Social enterprises play a valuable role in linking the most marginalised to the labour market in Austria, but only manage to reconnect one third of clients to regular jobs. Lithuania provides for financial support from the state for social enterprises in order to compensate for the additional expenses related to the lower productivity of workers belonging to target groups. However, the Belgian expert is less sanguine about social jobs.

The Irish budget in 2006 had a strong orientation to those on the lowest incomes, offering increases that are expected to augment their income more rapidly than average incomes. The Irish case is, therefore, worth setting out in more detail. As well as increases in the universal child benefit payment, a new early childcare supplement is to be introduced. Other family friendly measures include tax reliefs for those caring for children in the home, capital and staffing grants particularly targeted at disadvantaged areas and an intensification of training arrangements to support quality childcare delivery. It is expected that 17,000 childcare workers will be trained in the period 2006-2010, though the expert states that the reliefs are too low compared with the high cost of childcare.

One key part of the approach to activation in Ireland has been to increase the flexibility of the benefit system and its generosity towards earned income. A second strategy in the Irish case has been a systematic activation approach, with both re-integrative and preventive (in regard to stemming the drift to long-term unemployment) elements in evidence. Developing the human capital potential of benefit

claimants, especially the unemployed, has been a further strategy followed in the Irish case. The Back to Education Allowance is a key element here. It currently covers some 6,000 recipients.

A fourth arm of the Irish strategy has been to make work pay. Apart from easing the opportunity to continue to receive welfare benefits while employed, there have been two other policy approaches to making work pay better. The first is the minimum wage policy. A national minimum wage was introduced in 2000 and by 2004 Ireland was one of the few countries (along with Australia, France and New Zealand) where the minimum adult rate was above 50% of median earnings (National Economic and Social Council (NESC) 2005a: 78). At the present time the minimum wage stands at €7.65 an hour. The second is income tax policy which in recent years especially has had a particular focus on the low paid and the elderly.

Integration of different minimum income benefits and pensions with active labour market policy in Spain is considered inadequate by the Spanish expert even though she maintains that greater compatibility between the two strands of policy could make the difference for many to return to the labour market or to enter for the first time, particularly in the case of disability benefits or carers for disabled children and other dependents. She also advocates looking closely at rules and requirements of the benefits to take into account the high number of women that are the main beneficiaries in order to make adjustments to the realities of their circumstance, including their age.

4.3 Empowerment

In addition to income guarantees and ALMP, several Member States have distinctive, sometimes experimental approaches that provide alternative ways of reaching out to the most excluded. In Denmark the flexicurity model is central, with its combination of push, pull and financial security, but with some drift towards making support conditional on employment seeking. Active inclusion is encapsulated in the Belgian 'Law on Social Integration', which replaced the law on the guaranteed minimum income (GMI) in 2002, and can be seen as a very typical example of the paradigm of the 'active welfare state'.

In the Czech Republic a key legislative change is the *Act on Minimum Subsistence and Existential Amounts* and the *Act on Assistance in Material Need*, approved by Parliament on March 14, 2006, and due to come into force from January 2007. People in need will be assisted by social workers to help them find a job, and for this purpose 'Individual Activation Plans' will be introduced.

In France, youths, especially those of immigrant background, are at the margins of the labour market yet manifestly central to many of the tensions surrounding the social model. Many attempts have been made to find ways of rising to the challenges posed, but the French expert argues that policy has been prone to change too frequently hampering efforts by actors on the ground to make a difference.

The sequence of 'Hartz' reforms in Germany manifestly has many effects, but the German experts consider that it is too early to give any assessment of the merger of unemployment assistance and social assistance as part of the Hartz IV reforms. Challenges post Hartz IV include containing poverty while also supporting insertion into the labour market; cost-effective integration of immigrants; and extending working life so as to anticipate a pension funding gap.

Innovative ideas are visible in a number of Member States, often simple or low-key proposals that have the potential to make a big difference. For example, a mentor scheme in Denmark funded by central government to aid young people with special needs is considered as contributing also to improving inter-generational problems.

4.4 The current policy debates

Cyprus introduced an amendment of its Minimum Resource Law this spring which defines better who is entitled to what, but also retains its employment friendly focus. It includes new incentives to work and greater conditionality. The amended Law provides for the gradual reduction of the public assistance benefit which is paid for a period of one year, for those recipients who are engaged in paid work (full coverage during the first quarter, two-thirds of the benefit for the second quarter, then one-third of the benefit for the third quarter), and aims to foster the social activation of recipients. In Italy, the current policy debate focuses on solidarity between persons, territories and generations, while gender remains an overarching issue.

In the Czech Republic, there is no great public debate on active inclusion as an overall strategy, but rather on individual topics such as Roma or unemployment, and it is noteworthy that social inclusion did not feature prominently as an issue in the June parliamentary elections.

One interesting idea being tried in the Netherlands is a 'no claims' arrangement for certain categories of health care in order to decrease "over-consumption". It is part of the proposals in the new Act: if no health care is used, a refund of a payment of €255 will be made, though it has, not surprisingly, attracted opposition because it is one of several policy directions that have distributive implications insofar as they transfer resources from one group to another. Nevertheless, though small in financial terms, it may signal a new direction that might become of more general interest.

Belgium's Law on Social Integration provides for integration pathways other than employment and the expert notes that the 'legal remit of the municipal social services, entrusted with the implementation of the Law on Social Integration, is to ensure "the right to a dignifying life", which goes far beyond the payment of benefits or activation of clients'.

4.5 Adequacy of the approaches

Several of the experts express doubts about whether the packages of policies or the current orientations of policy in their countries go far enough to offer comprehensive responses to the challenges of active inclusion and the provision of minimum incomes. These doubts encompass a range of shortcomings, relating to the coherence of policy, recognition of the complexity and intensity of the problems that have to be confronted, and in some cases, a lack of political will either to analyse problems correctly or to make the hard choices required. Thus, in commenting on a significant report produced by the Irish National Economic and Social Council that is expected to have a considerable influence, the Irish expert argues that 'there is insufficient recognition of how gender factors will act as a constraint on both the achievement of continued employment growth in Ireland and the strategy proposed by the NESC in this document.'. She cites, in particular, the lack of discussion of the complexity of gender issues, highlighting the links between gender and inequality, and questions the proposed approach to service provision from this perspective.

The Italian expert is trenchant in his view that 'a number of opportunities exist to improve the integration of policies and services on the basis of different levels of responsibility and territorial dimensions while involving relevant stakeholders into the decision-making processes. This potential depends on the political and administrative willingness to co-ordinate a wide range of institutional agencies', though he also notes that institutional mechanisms are still weak, while diverging political points of views and conflicting paths (e.g. between centralisation and decentralisation) threaten any development.

There are also major question marks in several Member States about consistency of policy and whether it is sufficiently strategic in character. Thus, the Latvian expert expresses reservations about whether there is a sufficiently 'joined-up' approach, arguing that active inclusion measures are more focused on the short-term solution of problems and that there is no systemic approach to the resolution of what are invariably complex problems. However, a number of planned policy measures in the Latvia's National Reform Programme could be considered as a movement in the direction of the development of active inclusion approach in Latvia. Trust may be a further issue: the relatively high level of mistrust or the lack of social capital is, according to the expert, one of the reasons behind poor levels of organisation in Lithuanian society. The Italian expert states firmly that multi-level co-ordination between national, regional governments and public authorities has not been implemented and consequently hampers effective policy delivery. He goes on to identify as an unresolved issue the need to ensure greater coherence of reform in a range of benefits (unemployment and social insertion) taking into account personal and family situations. In Spain information, coordination and collaboration at the different levels of government is also key to enhance the outcomes of the diverse benefits and programmes linked to the gains in terms of permanence in employment.

Politically motivated shifts have proved to be a problem in some Member States, such as Portugal, where the succession of political shifts over the period 2002-05 has caused significant instability and discontinuity in policy directions. The expert concludes that in the absence of a global assessment of the impacts of the system on the reduction of poverty and social exclusion at a national level it has been possible to identify some significant improvements enhanced by the system over the last 10 years on the lives of the people directly involved in the scheme. At the same time several constraints have been identified regarding the involvement of the different stakeholders, the adequacy of existing resources in different areas to the needs and profiles of the potential beneficiaries, co-ordination issues and the adequacy of the technical resources.

An evaluation report published in the Netherlands in April 2006 found that exit from welfare is happening more for those with good labour market attributes, but that there is less success with others and doubts by municipalities about whether it is worth the additional effort. The Dutch experts also note that self-employed people have become a group at greater risk of poverty and social exclusion than before.

Finally, several experts note shortcomings in evaluation and monitoring. For example, the Latvian expert notes that no mechanisms have been developed in the country to prevent an active unemployed person or a job-seeker receiving training several times, yet at the same time a sizeable proportion of the long-term unemployed do not receive any support at all. Plainly, this is an area in which Member States have good reason to think afresh if policy is to be more effective.

5 Examples of good practice

The national reports contain several examples of approaches that can be regarded as achieving a fair degree of success, being innovative or proving to be cost effective in addressing a specific challenge. Here a selection of such examples is presented.

Reaching marginalised groups

It is almost a tautology to say that individuals least connected to the labour market are the hardest to activate and that in terms of achieving significant gains in employment rates, they may often be seen as the least promising direction for policy. Yet it is also the case in a number of Member States that policies targeted at these 'hard cases' have had encouraging results.

- A plan to reach out to various marginalised groups (such as substance abusers or prostitutes) with targeted initiatives was launched in Denmark in 2002 and will be taken further later in the year with a successor 'The joint responsibility II'. The Danish experts suggest that it has been a success.
- In Poland, social integration centres seems to have been a success. An example cited in the report is the Social Integration Centre in Bystrzyca Kłodzka, a small town (about 20 thousand inhabitants). The reintegration programme in the Centre is aimed at bolstering the capacity of the individual to perform social roles at the place of work, residence or stay, as well as to work. After an inquiry at home, persons are directed to the Centre through the labour office, social assistance centre or a court-appointed custodian. The individual's material and housing situation is taken into account, as well as any specific problems. The Centre caters to persons of various ages, both men and women, the major part being poorly educated persons. Typical clients exhibit multiple problems, such as long-term unemployment, alcoholism, release from a penitentiary institution, homelessness. The Centre offers its beneficiaries a programme, which consists of a simultaneous, long-term (over a year) therapy for the excluded persons (including addiction therapy), and psychological assistance, vocational counselling, vocational training and practical vocational education.
- An example from Luxembourg is the implementation of a measure to give work experience which also provides a means of assessing individuals and assisting them to take advantage of the experience. Bringing the two aspects together seems to have proved to be a success.
- Dutch initiatives for the homeless and addicts comprise volunteer work (day activities) and subsidised labour (reintegration). An important conclusion is that work and motivation are of great importance for homeless people and addicts. The occupational rehabilitation projects are intended for people who often have extraordinarily problematic and widely varied living conditions. Participation in work and motivation supports these people in restoring their self-respect and discovering or rediscovering their qualities. The people in their surroundings and wider society also benefit from the participants' restored self-esteem and new perspective.
- In Spain the social dialogue included making the Active Insertion Benefit (Renta Activa de Inserción, RAI) a subjective right, by converting it into a contributory benefit. It also improves measures for hard to place groups. It gives employers greater incentives to convert fixed-term contracts into indefinite contracts for men between 16 and 30 years of age, and creates a new incentive for women returning to work after 5 years outside the labour force. In addition, subsidies for converting contracts will remain throughout 2006 but will be phased out in 2007

A particular manifestation of marginalisation is ethnic minorities, with the position of the ROMA as one of the most challenging cases.

- In Slovenia in recent years there were different projects developed to integrate Roma people into the education system and the labour market. The efforts are not just national but international, and as a result of such cooperation, a new concept of support for the Roma was developed. It contains different levels of operation and tries to induce children as well as adults into education so as to increase their employability. The project introduces new professions and new organisations.

Excluded families

Several Member States, of which Italy is a prime example, have made significant changes to their social policies aimed at giving better support for families. While these often concern major re-balancing of benefit systems, family support can equally be addressed by specific initiatives, such as:

- A programme (June 2005 – October 2006) implemented in Latvia, within the grant scheme “Motivation programs for social exclusion risk groups” in Jelgava region. The target group in the program is that of out-of-employment parents, particularly long-term unemployed persons and those who are not registered as unemployed; parents after the child-care leave, single parents, parents of large families.
- A Czech Republic project entitled “The Effects of Family Upbringing”, focused on providing work opportunities to people coming from dysfunctional families. Often, adults coming from such families face greater prospects of becoming unemployed and often have problems in rearing their own children. The aim of the project was to use opportunities in public works (after consulting with the local labour office) to find jobs for unemployed persons from such families. The project was also established due to the need for social work for individual families unable to obtain assistance from the municipal social workers due to the lack of capacity.

Beginning in June 2004, the pilot project made use of three social workers who were each dedicated to group of clients for whom they would provide both social assistance as well as employment consulting. The benefit of the programme, according to city of Zlín representatives, is to target better the needs of socially excluded families by tackling two of their needs at the same time (unemployment and family problems), which other state programs cannot do. The project has also been able to provide more individualized assistance to these families, particularly to adults with health problems. Though the project is still in development, and thus results are not available, local officials have considered the programme successful enough that they sought to continue it by applying for ESF funding.

Disabled workers

The expert reports suggest that there is growing evidence of a common effort to improve the position of disabled workers and several of them demonstrate that there has been a mix of legislative changes and policy effort for this purpose. However, there are also cases where simple initiatives have made a difference, for example:

- From Estonia, the approach to badge and brand disabled-friendly employer elaborated by the Estonian Chamber of Disabled People (EPIK), Estonian Employers Confederation (ETTK), Ministry of Social Affairs and advertising agencies. The badge gives recognition to employers who have contributed to promoting disabled people’s employment and who offer jobs or practical training positions to the disabled.

Local initiatives

One of the means by which significant progress can often be made in advancing social inclusion is by low-key measures at local level. Two illustrations nominated by experts are:

- The German federal programme “Local Capital for Social Purposes” (LOS) initiated in early 2003. Financed by the ESF, it supports local initiatives through small grants of up to Euro 10,000 that foster social activation and enhance the potentials for securing jobs. A feature of the LOS is that it acts in areas that cannot be reached by central programmes through the normal activities of the European Social Fund. The main areas eligible for promotion are the integration of immigrants into the labour market, the fight against xenophobia and racism, the integration of disadvantaged youths, the promotion of honorary positions, and projects for women as well as for older employees. A precondition for obtaining support is a Local Action Plan for improvement of the conditions of social and vocational integration. The funds are then disbursed in a decentralised manner with the direct participation of the citizens. Consequently, the project ideas are developed by local actors and can be implemented regionally in social focal points.
- A local initiative from Bergsjön, a part of Gothenburg municipality, highlights the potential activating role of municipalities in Sweden. To guide clients into the labour market Bergsjön, set up a unit called “job-forum” (arbetsforum). Job-forum is a joint venture between the municipality and local employment office and the regional social insurance office. The rule is that every individual that asks for social assistance and is deemed to have a basic ability to work has to take contact with job-forum within a week and follow a program, job training, education etc that is agreed upon. The social assistance payment is made conditional to the job-forum agreement. In order to avoid a “dependency culture” it is pivotal that those who receive social assistance are made totally aware that social assistance is a temporary measure and that it is the individual’s responsibility to secure an income.

6 Concluding comments

The expert reports make it clear that all Member States have embraced the need for extensive policies to promote social inclusion, but also that there is a substantial amount of re-thinking going on at present and that policy-makers face hard choices. Budgetary pressures have combined with, in some cases, dissatisfaction with the outcomes of social policy intervention, and in others a search for new solutions to activating unemployed or inactive persons in pushing forward this agenda.

Where there has been success in raising employment rates, some of the reports highlight the problems associated with going further. Although most Member States have willingly embraced active labour market policies, albeit with differing modalities, some of the evidence suggests that while ALMP programmes have enjoyed considerable success in activating unemployed persons with relatively 'positive' social characteristics from the point of view of future job prospects, there may be problems when they have to deal with the more difficult cases. This implies that a sequencing approach may need to be countenanced for taking active inclusion policies from basic ALMP and income support to more imaginative approaches designed to address the more intractable cases. Here, the Nordic countries, especially, may offer some pointers for other Member States.

There is a trend towards greater conditionality in many Member States in various facets of social policy and this raises a number of issues from the perspectives of both providers and clients of social inclusion policies. To work properly, conditionality depends on awareness of the rules, yet in some Member States recent research suggests that claimants are often not aware of either the sanctions regime or the conditions that apply to benefits. A concern about the use of incentives is, in addition, that it will lead to a two-tier benefit system, with a higher rate for those prepared to take steps to find work, thereby watering down the solidarity dimension of policy in favour of its activating function.

There is varied evidence about whether the EU Social Inclusion Process makes much difference. Some of the national reports portray the influence as having been pretty limited, implying that the effects of EU involvement do not justify the processes and effort involved. It may be that the complexity of modern welfare states, coupled with the fact that they have been shaped over many decades in response to national preferences and compromises, greatly restricts the potential EU influence. On the other hand, many experts see a fair degree of indirect influence, even if an explicit link is hard to discern, while in some Member States – not least among the recently acceded Member States - it is clear that the EU influence has been considerable. In particular, EU processes may have highlighted issues of governance, such as the need for the state to engage with other actors, or the importance of assuring policy coherence. At the same time, the ESF has served as a mechanism for promoting new practices, with the result that implementation of ESF projects is expected to be a major contributor to change, not just because it boosts financial support for new policies, but also because it obliges recipients to adopt well-tried approaches.

A key common objective of the streamlined Social Protection and Social Inclusion Process is to ensure that 'social inclusion policies are well-coordinated and involve all levels of government and relevant actors, including people experiencing poverty, that they are efficient and effective and mainstreamed into all relevant public policies, including economic, budgetary, education and training policies and structural fund (notably ESF) programmes'. It may therefore be a cause for concern that many of the expert reports reveal a variety of shortcomings in this respect. A specific tension that surfaces in a number of countries is the inter-actions between national and sub-national actors, both in government bodies and in the wider stakeholder communities. One solution would be to pay particular attention in

comparing good practice or in peer review to the identification of approaches to coordination that work most effectively.

Although most Member States have policies in place that promote active inclusion, in some cases it is only superficially an integrated policy. This may change as the Member States make progress on their national reports, but it suggests that further efforts will be needed to embed the concept in national policy-making. Nor is it always visible in public discourse, with the implication that greater political efforts would be needed to ensure that social inclusion, generally, and the focus on active inclusion acquire higher political salience.