

EU Luxembourg Presidency Conference on “Taking Forward the EU Social Inclusion Process” - Luxembourg City, 13-14 June 2005 -

- Report to the Social Protection Committee¹ -

Conference and Conference’s Report – general points

- There were some 280 participants at the Conference, from all 25 EU Member States, from acceding and candidate countries and from Norway. Participants included decision-makers at highest level (the European Commissioner in charge, the Luxembourg and UK Ministers in charge), European Commission representatives (Directorate-General “Employment, Social Affairs and Equal Opportunities”, Directorate-General “Research” and Eurostat, the Statistical Office of the European Communities), members of the EU Social Protection Committee (SPC) and its Indicators Sub-Group (ISG), a member of the European Parliament, members of National Statistical Institutes, members of international organisations (Council of Europe, ILO, OECD, UNDP, UNIFEM), members of the scientific community, representatives of EU social partners (ETUC, UNICE and CEEP), representatives of social Non-Governmental Organisations (NGOs) at EU and national levels, etc.
- Participants warmly welcomed the Luxembourg Presidency initiative of holding such a Conference, based on an independent Report.
- The Conference Report was prepared in several stages, and the authors have been advised by a 30-member *Steering Committee*. The first Outline of the Report was circulated to the Steering Committee in September 2004, and the final plan drawn up in the light of very helpful comments received from the Committee and from the European Commission. A first version of the Report was prepared and circulated in March 2005, at a time when there was much discussion of the future of the Social Inclusion Process in the context of the refocus of the Lisbon Strategy on jobs and growth. The Report was then extensively revised in April and May 2005 to take account of the numerous comments received from the Steering Committee and from many other colleagues.
- The purpose of the Report was to provide a basis for discussion at the June 2005 Luxembourg Presidency Conference, and to stimulate further thinking. The Conference did indeed lead to considerable debate, but there was also a great deal of agreement. Quite a number of the recommendations contained in the Report received significant support from speakers and other participants.
- It was clear from the Conference that “yes, we definitely need indicators, targets, modelling etc,” and “yes, we definitely need to build knowledge and expertise in policy analysis and evaluation”... but the usefulness of these important tools will remain quite limited if decision-makers are not committed to using them... It is to be hoped that the Report and the Conference will help boost this political will and commitment at national and EU levels.

¹ This Report was prepared by Tony Atkinson and Eric Marlier. It summarises the main Conference’s discussions and conclusions. It was presented by Eric Marlier at the 16 June 2005 meeting of the Social Protection Committee, and is available from www.ceps.lu/eu2005_lu/inclusion.

- It was also clear from the Conference that improving the current set of common indicators, in terms of topics covered and groups more specifically at risk (the homeless, migrants and ethnic minorities...) definitely needs to be further pursued. But, at least as urgent and important, if not more so, is the need to significantly strengthen our knowledge and expertise in policy analysis, monitoring and evaluation at EU and country level; which was the very purpose of the Report and the Conference.

Important steps have already been made but we need to do much more...

- Conference participants widely recognised the progress made in establishing the machinery of the Social Inclusion Process since the March 2000 Lisbon European Council. This includes the NAPs/inclusion and their analyses by the European Commission and Member States (Joint Reports and Commission Staff Working Papers). This also includes the EU common indicators developed by the ISG, and the growing amount of exchange and learning supported under the Community action programme to combat social exclusion. So, we should definitely not be pessimistic...
- However, we could and should do much more... If the NAPs/inclusion and the EU documents summarising them have contributed a great deal to advancing the Social Inclusion Process, the policy analysis in those documents needs to be deepened and needs to be more comparative. This deeper and more comparative analysis should be carried out both within and outside the Commission.
- In the field of policy learning, including the identification of good (and bad) practices, much progress is also necessary. We need to go on with peer reviews, to develop further *transnational exchanges*, etc. This policy learning needs to be focused not only on policies but also on process and institutional issues.
- If we want to better learn from each other, we need to consider national (and sub-national) policies in the context of the social system in which these policies were (or are being) developed. We need to go for a *systemic* approach... This is the sole way forward if we want to learn more about other countries, but in fact also about our own country.
- It was also clear from the discussions that we need to be more “forward looking”.

Strengthening policy analysis

- Much more can be learned from the comparative analysis, including analysis focused on the common indicators, but the underlying processes are complex, multivariate, and need to be disaggregated. Simple correlations at the aggregate level may be suggestive, but one cannot stop there. The multi-dimensionality of poverty and social exclusion needs to be captured at the micro-level, by the Commission and Ministries in charge but also by independent researchers. This micro-data analysis should focus on overlaps of disadvantages. It should also focus on longitudinal (panel) aspects of poverty and social exclusion so as to better understand the dynamics of these complex phenomena.
- We need to make progress in understanding the causes of poverty and social exclusion. We also need to better understand the relationships between, on the one hand, poverty and social exclusion, and, on the other hand, social protection expenditures, employment and growth. This has become even more urgent since the European Council decided, in

March 2005, to refocus the Lisbon Strategy on jobs and growth. This is complex and will require in-depth research.

- We lack an adequate analysis of the baseline policy situation and a counterfactual for the outcome indicators. The total effects of policies on poverty and social exclusion need to be further investigated, as well as the contribution of each individual policy.
- Tools for analysis are now significantly more developed (at national, EU, OECD... levels). However, they need to be further developed; they have to be supported and *incorporated into* the process. This is true especially of family models and micro-simulation models.
- There needs to be a common framework for policy analysis.
- The strengthening of policy analysis and evaluation will require an investment in social science research. It will also require that analytical expertise be boosted within national and sub-national administrations, and also within the Commission.
- The needs of the EU Social Inclusion Process should be taken into account in the design of the 7th and subsequent EU RTD Framework Programmes. The potential support of the Community action programme should also be exploited to the full.

EU Social Inclusion Indicators

- Many Conference participants have emphasised the need to *complement* the common EU income indicators by “*more* absolute” indicators, allowing to better reflect the actual living standards... esp. since Enlargement.
- Some way must be found to capture the situation of the new Member States in particular; a situation that is not adequately reflected in the relative at risk measures. There was very strong support for one or more broad measures of deprivation based on non-monetary indicators, such as those that could be calculated from EU-SILC once the results of SILC will become available (“enforced deprivation in relation to broad living standards” as well as “poor housing conditions”).
- Still on income indicators, there was also substantial consensus that the issue of appropriate equivalence scales is a serious one, not only in the context of Enlargement but exacerbated by Enlargement. There are no easy solutions, but both EU-level and national-level sensitivity analysis are important. Readability is however also important and one should avoid an inflation in the number of primary and secondary common indicators. The common indicators should therefore be based on a common scale as is currently the case (although it is open to question whether the OECD modified scale is the best for this purpose), but these indicators should be complemented by results based on other equivalence scales, which can significantly influence the at-risk-of-poverty threshold as well as the level and composition of the poverty risk.
- Apart from these issues relating to the income-based indicators, there was consensus that indicators covering other dimensions, via non-monetary indicators, should be seriously developed. Deprivation indicators, which could be calculated from EU-SILC, have already been mentioned above. But there are other domains where progress would be needed: health, homelessness, literacy... This will require sustained efforts by Eurostat, National Statistical Institutes and/or other national ministries in charge. This will also require that the measures to support these efforts be taken – at the May 2005 SPC meeting, the importance (and difficulty) of constructing the key indicator of premature

mortality by socio-economic status was already discussed, an indicator that is urgently needed for the Social Inclusion Process.

- The introduction of EU-SILC represents a major step forward in social statistics, but the transition from ECHP will need to be taken into account in the construction and use of social indicators. The Report's recommendation that Eurostat could usefully organise an international scientific conference on "The Transition from ECHP and national data sources to EU-SILC" was received enthusiastically by Eurostat themselves. This Conference should allow addressing many important issues raised by this transition, including those surrounding the new definition of income in EU-SILC: the treatment of negative incomes, self-employment incomes, and imputed rent on owner-occupied housing.
- We should improve our knowledge of the regional aspects of poverty and social exclusion through regional breakdowns (and breakdowns by the degree of urbanisation) of existing indicators, where possible and meaningful. We may also want to consider specific regional indicators.
- The specific at-risk position of migrants and ethnic minorities also needs to be more systematically analysed and reported on by Member States. Again, this should be done while taking account of the multi-dimensionality of poverty and social exclusion. On the first day after the Conference, an important step has already been made in this direction at the 15 June 2005 ISG meeting.
- EU institutions should consider, in collaboration with OECD, the extension of the common social indicators to cover at the minimum the US, in view of the importance attached to policy learning (about what works and what does not work) from across the Atlantic, as well as Japan. Canada, Australia and New-Zealand could also usefully be covered. The Eurostat *DSS forum* (meeting of Director for Social Statistics in National Statistical Institutes) is, we understand, already doing work in this direction.
- The Report's recommendation to go for a pruning of the Primary set of indicators to a significantly smaller number was generally supported. This could lead to one or (maximum) two headline indicators for each broad area – income poverty, income inequality, employment, education, health, housing and homelessness, general living standards/deprivation, and a new child-focused, non-income-related indicator (together with appropriate breakdowns).
- Some indicators may not need to be calculated on an annual basis but (much) less frequently, for instance every 4th year.

Children "mainstreaming"

- The Report stressed that "children mainstreaming" should not imply picking out children as a particular priority group; the fight against poverty and social exclusion needs to be a universal one. Rather, as with gender mainstreaming, it suggests a perspective for approaching the general issue of poverty and social exclusion.
- The children mainstreaming suggested in the Report was very welcome. As was stressed by one discussant, "children face the risks of losing choices". The SPC and ISG have already agreed that age breakdowns, especially for children and the elderly, are important and should be provided systematically when meaningful and possible. This is a first, important step... but there was agreement that indicators also have to be approached from the *child perspective*. This points to the need to complement existing

indicators with one or more new non-income-related indicators of the specific circumstances of children, as suggested in the Report. This (or these) “child indicator(s)” still need to be agreed upon – they could focus on health, on education...; this is still entirely open. But there was a strong demand in this direction. (“Child poverty” is to be understood as child “poverty and social exclusion”... Here also we need to think in multidimensional terms.)

Taking Forward the EU Social Inclusion Process

- Many participants emphasised that within the streamlined Social Protection and Social Inclusion Process (i.e. the streamlined *Open Method of Coordination (OMC)* in the social field), it is essential that each individual element keeps its own identity and visibility; just as is the case in the “renewed Lisbon” guidelines covering the Broad Economic Policy Guidelines and the Employment Guidelines. In particular, NAPs/inclusion should be preserved as an important part of the EU Social Inclusion Process; they should not be reduced to a national exercise... which means concretely that peer reviews, exchange of practices etc. have to be maintained at EU level.
- The need to fundamentally restructure the NAPs/inclusion so as to have them become true strategic “action plans”, not just a reporting exercise, was also widely acknowledged. NAPs should contain a multi-dimensional diagnosis of the causes of poverty and social exclusion on the basis of which a small number of key objectives and quantified targets should be established. There should then be an explicit analysis of the expected relation between the proposed policies and the delivery of outcomes.
- While *peer pressure*, together with the identification of both good and bad practices, is necessary to maintain the credibility and ambition of the EU Social Inclusion Process, the purpose of the common social indicators is not to name, shame and castigate Member States. Rather, the aim is to help Member States to do better, and the focus should be on improving the performance of all countries.
- The Social Inclusion Process has yet to be fully embedded in many Member States’ decision-making and a true *mainstreaming of social inclusion* in policy making will have to be implemented through establishing a *scheme of systematic policy assessments*; both *ex-ante* and *ex-post* assessments:
 - These assessments of social inclusion will obviously be essential. But the impact of specific employment, economic and sustainable development policies on social inclusion should also be systematically monitored, so as to identify possible ways of adjusting such policies to strengthen their contribution to promoting social inclusion. Depending on national institutional arrangements, this should be done at both national and sub-national levels. It should also be done at EU level.
 - This mainstreaming of social inclusion should help build the indispensable mutual and reinforcing feedback between the Broad Economic Policy and Employment Guidelines, on the one hand, and the OMC in the social field (including the Social Inclusion Process), on the other hand. The ultimate objective must be that the OMC in the social field should contribute to achieving the goals of growth and jobs of the refocused Lisbon Strategy; and, at the same time, policies to promote growth and jobs should contribute to promoting social cohesion and social inclusion which remains a key objective of the refocused Lisbon Strategy. The role of the Commission is key for maintaining the ambition of the OMC in the social field in its different, streamlined components.

- Mainstreaming social inclusion in policy making through establishing a scheme of systematic *ex-ante* and *ex-post* policy assessments calls –again- for the building of knowledge and the development of expertise in countries and at the Commission.
- The development of the NAPs/inclusion should continue to be based on a set of common EU objectives. However, the existing objectives will need to be modified in the context of instituting a streamlined OMC in the social field. In doing this it will be important to restructure them in a way which will encourage Member States to develop more strategic approaches. While it will probably be necessary to have a small number of overarching objectives encompassing the different strands of a streamlined approach, it will be essential to maintain a second tier of more detailed objectives pertinent to each strand. In the social inclusion strand the multi-dimensional nature of poverty and social exclusion that is evident in the current objectives should continue to be reflected, as should the combination of both policy and process/governance objectives (e.g. political and administrative arrangements for coordinating and mainstreaming social inclusion in national policy making, arrangements for “proofing” all policies from a social inclusion perspective, arrangements for monitoring and reporting, arrangements for building statistical and analytical capacity etc.). It is with this logic in mind that this ought to be addressed by countries and the European Commission in the 2005 mid-term review of the Lisbon Strategy.
- The Social Inclusion Process has so far had limited success in truly engaging key actors (social partners, NGOs and the scientific community... as well as the people experiencing poverty and social exclusion) in most countries; this could and should be advanced. Further efforts to truly engage the bodies in charge of social inclusion policies at sub-national level (regional and/or local levels) are also urgently required.
- Setting ambitious but achievable targets in NAPs/inclusion is essential in that it helps focus policy development and highlight social objectives. Defining what is “ambitious but achievable” will again require a proper understanding of the phenomena at stake and best ways of linking policies and outcomes.
- The need to improve statistical capacity, including the full use of the unique potential of *administrative data* has been emphasised.
- The OMC should do more to ensure *joined up Government* in the field of social policy, bringing together different agencies within national Governments (and, in countries where it applies, different levels of Governments), and bringing together national policymakers and the Commission. The Parliaments (at EU, national and, where appropriate, sub-national levels) should be more actively involved in the OMC.
- There has to be widespread “ownership” of the Social Inclusion Process, and the single most effective way of engaging public support is if the Social Inclusion Process can demonstrate significant progress in reducing poverty and social exclusion in the European Union.