socialplatform

The effects of social investment on employment and public budgets

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Background note to the intervention of Michel Mercadié, Social Platform

Social policies and services are not a cost but an investment for better cohesion in our societies at present and for the future.

In the last years many member states have implemented austerity measures which drastically targeted expenditure in social and health services, social protection and education and especially in those countries where the social and economic situation is the worst. This has contributed to the increase of poverty and social exclusion, inequalities and unemployment in the EU. These problems are exacerbated for vulnerable groups and other people facing discrimination or disadvantage[1]. It has also led to a worsening of the divide between Northern-Central Europe and Southern countries, and in the latter to the emergence of new social and non-mainstream political movements and growing political instability.

Europe is still experiencing a downward spiral, which is generating more unemployment, impeding on quality employment and challenging collective mechanisms of solidarity. Fixed term contracts, zero-hours contracts, involuntary part-time and flexible working patterns, attempts to replace real jobs with traineeships, as well as low and inadequate wages have become characteristic of the labour-market in the EU. This in turn is creating in-work poverty, undermining a proper work-life balance and impacting on social protection rights effectively creating a liquid labour-market[2], where job security is minimised in order to have a workforce that is as flexible as possible. A job no longer guarantees a decent income and eligibility to social protection continues to be based on full-time and officially recognised work. [3]

What is social investment?

As Social Platform we agree that **social investment is** the provision and use of finance to generate both social and economic returns, aimed at addressing emerging social risks and unmet needs for the well-being of people and socially cohesive societies. It should be seen as part of a larger social welfare state "package" which is based on different pillars that are interconnected, mutually reinforcing and cannot be dealt with separately: social protection and income support, social and health promotion and investment, and stabilisation of the economy. Therefore, social investment cannot be prioritised over social protection as both are effective only when they are combined.

Social investment should be a tool to reorient the current policies towards a much needed rebalancing of social and economic policies both at EU and member state level. It should be the first step towards a longer-term political agenda and towards an effective alternative for the austerity paradigm.

In order for social investment policies to be successful, a fundamental rights approach is a precondition of such policies and is too often overlooked. This fundamental rights approach has to be based on the promotion of equality and the fight against discrimination, as well as on a commitment to redistributive policies that reduce income and wealth inequalities. This can help people's inclusion and participation into society and employment.

Very often, social investment is linked to **"conditionality"**. We however reject this, as it might bring along an interpretation of social investment leading to discrimination in access to support schemes and worsen poverty, social exclusion and difficulties to access the labour market. Negative conditionalities - threatening people that do not want to accept any kind of job with losing benefits - are pushing people further away from the labour market and from society as a whole. It damages the inclusiveness of the labour market and increases the barriers for people to be (re-)integrated.

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[1] Based on any ground as exemplified in Article 21 the European Charter of Fundamental Rights, such as sex, race, colour, ethnic or social origin, religion or belief, national minority, disability (including mental health problems), age or sexual orientation.

[2] The expression 'liquid labour market' was used by Francesca Bettio**,** Professor of Economics, University of Siena and member of the EC Network ENEGE – European Network of Experts in Gender Equality, to describe how current employment patterns (temporary work contracts, internships..) prevent people from gaining access to employment-related social protection rights. See Francesa Bettio, *Revisiting challenges in the work-place*, Irish Presidency, Gender Equality Conference, Dublin April, 29-30 2013

[3] For example home-based full-time parents or carers are not recognised to contribute to a labour economy.

Investing in what kind of jobs?

Social investment can only work if it is supported in parallel with the investment in the **creation of quality employment**, ensuring access to the labour market for everyone and the long-term unemployed and excluded groups in particular.

Quality work and employment implies that workers need a job which gives them enough salary allowing them and their families to lead a dignified life, which gives them stability, personal safety, holidays and decent working hours, which is conductive to their mental and physical health, in which people can join a union to represent their rights, and in which they are protected by individual and collective labour law.[4]

While employment reforms, resulting in an increased use of temporary contracts, part-time work and low wages, have shielded many economies from even worse labour market performances, it has at the same time given rise to the phenomenon of in-work poverty. In 2013, the Commission estimated that 9.4 % of people employed were living under the poverty threshold.[5] The increase shows that having any kind of job is not enough.

Involuntary part-time employment and flexible working contracts cannot lead to quality jobs if these are imposed on the person concerned. Very often, people who work part-time (whether or not voluntarily) are pushed to work extra hours.

Job insecurity is also among the leading causes of stress at work, which is in turn responsible for about half of all working days lost in Europe according to EU research. [6]

Activation measures for social investment put in place in view of getting people into work must not lead to social exclusion or poverty, and have to be balanced with measures for inclusion of people in society as a whole. These measures need to be **placed in the broader context of Active Inclusion Strategies, paying equal attention to all three strands**[7] and put in place to help integrating people into society who can work, and supporting social participation and access to rights and adequate income for those who cannot work.

Some recommendations:

- **Establish decent minimum wages in all member states** to protect people against in-work poverty and raise the level of these wages where insufficient.
- **Provide on-going (financial) support for people with a vulnerable background and help them bridging transitions into work**, to ensure that adequate income and access to services are maintained and to help them to keep their job.
- **Address labour market segmentation by improving employment protection and working conditions**, in particular in case of temporary and part-time jobs and in low-wage sectors. Ensure that no one has to take up a part-time job involuntarily.
- **Ensure universal access to affordable and quality services of general interest including childcare, healthcare, public transport and social housing**, which are in particular essential in supporting those who are experiencing in-work poverty. These services should be protected from austerity measures.
- **Invest in personalised approaches through employment and recruitment services**, including personalised job counselling. Such approaches start from the needs and circumstances of the person, recognising individual barriers particularly for different target groups (a.o. long-term unemployed people, young as well as older people, single parents, migrants, Roma, people with disabilities and homeless people).
- **Invest in quality education and training, and request from employment services to recognise and validate skills, competences and knowledge acquired through informal and non-formal learning**, to achieve equal opportunities, social inclusion, build resilience and full participation. Ensure

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4 See SOLIDAR (2010): Social dialogue: a tool to promote and defend decent work and quality jobs in Europe. p. 4 AND EAPN's 10 Principles on Quality Work

5 EC, Social Investment Package – SWD on implementation Active Inclusion Recommendation, Febr 20, 2013.

6 Together with other psychosocial risks: EC, Fourth edition of the EU Social Dialogue newsletter, Oct. 18, 2013

7 Sufficient income support, inclusive labour markets and access to quality services, EC Recommendation 2008.

that education and training are accessible to all, without harassment, discrimination or bullying, promotes diversity and meets the needs of local economies as well as people's personal aspirations.[8]

Job creation in particular in sectors with high job potential

1) The **social, health and care services sector** will definitely expand over the next years and ought to be considered as an important labour supplier and as an answer to the ageing population, the need to support early childhood interventions, and the marginalisation of vulnerable groups.[9] The Social Investment Package, published in February 2013, already recognised the need and full potential **of these sectors, but it did not provide any concrete guidance or recommendations for this. To attract new workers in** this sector, eliminate the staff shortages that exist, alleviate the gender gap and the risk of being exposed to poverty, it is essential to raise the professional status and improve the working conditions.

Following austerity policies in a number of countries, essential social and health care services have been capped, curtailed or cut altogether. Jobs in the health and education sectors are hit the hardest by austerity led cuts, while the societal need for these services has increased and will only grow in the future. Social and health service providers sometimes do not receive sufficient public financing for their services to be able to provide their workforce with the working conditions that they would wish to.

Structural reforms to health and care systems should not compromise patient safety and quality of care by wasting the human capital potential of the "white work force". Structural reforms should consider evaluating skills levels and training systems to ensure a balanced mix of different staff skills, to meet unmet care needs and to prepare for potential staff needs for care systems due to an ageing population.

2) The **social economy** is very important both in economic and social terms, employing over 11 million people. Moreover, statistics are showing that, compared to traditional businesses, social economy enterprises have been more resilient during the economic and financial crisis. The contribution to European society made by cooperatives, mutual societies, associations, foundations and other social enterprises far transcends their strict economic contribution in terms of GDP. The social economy makes notable contributions to a fairer distribution of income and wealth, to creating and providing welfare services (such as social, health and care services) and to sustainable development.

   Cost-benefit studies show that public funding of jobs of general interest in the social economy represents a gain for public finances in terms of saving costs and fiscal returns.

3) Other main sectors for potential job creation, identified already at an EU level, are **personal and household services, ICT and green economy.**

4) While setting up an own business and becoming **self-employment** can be a way to create employment, it should not be perceived as a remedy applicable for all. People should be protected from being pushed into involuntary and/or even false self-employment[10].

Some recommendations:

- **Support social economy initiatives, particularly Work Integration Social Enterprises** (WISEs), who offer training and employment to those having the hardest time accessing the labour market.
- **Provide financial support to test social and labour market policy innovations,** in order to better anticipate and develop the job creation potential.

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[8] It goes without say that education cannot be limited to a tool for preparing people for the labour market.

[9] See Commission's Communication: Towards a job-rich recovery of April 2012 calling on member states to "Improve health workforce planning and forecasting to match the demand and supply of health professionals better while offering them long-term job prospects and stimulate exchange on innovative and effective recruitment and retention strategies for health workers".

[10] Used by some employers to evade taxes and engage workers without having to respect employment rights and entitlements such as holiday pay, sick pay and pensions.