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## **Deutscher Verein's Opinion on the European Commission's Communication "Towards Social Investment for Growth and Cohesion"<sup>1</sup>**

Deutscher Verein welcomes the European Commission's call for more social investments, an optimisation of social systems' effectiveness and efficiency and a modernisation of the way they are financed. Still, Deutscher Verein would also like to see a comprehensive understanding of social policies to be applied when recommending reforms. The Europe 2020 Strategy's social dimension has to be strengthened when implementing the European Semester.

This Opinion is addressed to the European Commission, the European Parliament and the German Federal Government regarding its actions in the European Council. It refers to the Communication. In its assessment, it has taken account of the accompanying documents as well.

### **Preliminary remarks**

The European Commission considers social investments to be constituted by the promotion of skills and competences that allow people to find easier access to the labour market and better to participate in society. On February 20, 2013, it published the Communication "Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014–2020", COM(2013) 83, plus eight accompanying documents. It therein calls for directing the Member States' policies towards social investments in all stages in life, a pertinent consideration when budgeting

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<sup>1</sup> Deutscher Verein's competent policy officer is Johannes Eisenbarth. The opinion was discussed with the "Internationale Zusammenarbeit und europäische Integration" expert committee and adopted by Deutscher Verein's steering committee on June 11, 2013.

for the EU funds and a strengthening of the Europe 2020 Strategy's social dimension by adjusting the steering and coordination tools.

The European Commission states that as a result of the crisis the risk of poverty and social exclusion has grown and that the social divergences between the Member States and within the Member States have become more pronounced. This posed a threat to the EU's competitiveness, huge risks in terms of social and economic costs and also a threat to the prospect of reaching the Europe 2020 Strategy's poverty and employment targets. The European Commission underscores that particularly those European countries that have the most efficient social systems and most pronounced social partnerships are among the globally most successful and competitive economies. It therefore calls upon the Member States to optimise the social systems' effectiveness and efficiency, modernise the way they are financed and rely more upon social investments.

The European Union is a common economic and social area in which the economic and social problems of one Member State have a direct impact upon the other Member States. Deutscher Verein thus welcomes the fact that the European Commission calls upon the Member States to modernise their social systems and increase their effectiveness. The convergence of the European welfare states at the intended high level will not only promote the European Union's competitiveness<sup>2</sup>, but also its internal cohesion and its acceptance among the population. In the course of the crisis and austerity measures, many a Member State has reduced its expenditures on services of general interest, welfare and education. Given an increasing poverty rate, social exclusion and unemployment, a policy of social investments, a higher employment rate and anti-poverty measures in the EU are absolutely necessary.

### **The role of social investments in social systems**

Social investments are to promote skills and competences over people's entire life; skills and competences that is, that allow those people to participate in society and in the labour market. Early investments are to help people to confront life's risks in the first place instead of have them later simply repair the consequences.<sup>3</sup> Deutscher Verein expressly welcomes it that the European Commission deems social expenditures an

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<sup>2</sup> Cf. COM(2013) 83, p. 6.

<sup>3</sup> Cf. COM(2013) 83, p. 3.

investment in people and social cohesion and thereby corrects a view that only sees them as a cost factor.

In Deutscher Verein's view, the idea of social investments does not only become important regarding labour market integration, but also as early as in education, child care and child raising<sup>4</sup>, in child and youth services, early childhood education and care<sup>5</sup> and inclusive education<sup>6</sup>. In later life stages, investments taking the form of preventive and rehabilitative measures<sup>7</sup> and personal budgets for disabled people or people in need of care<sup>8</sup> seem to be promising. Deutscher Verein thus welcomes the fact that the European Commission proposes social investments in all stages of life.

Deutscher Verein would like to point out that social policies are not primarily a matter of investments and social returns, but also serve a realisation of individual social and fundamental rights. International conventions like the UN Convention on the Rights of Persons with Disabilities and the International Covenant on Economic, Social and Cultural Rights are binding upon social policy measures. The EU is also committed to the EU Fundamental Rights Charter, including the social rights found therein. The same applies to the Member States when implementing EU law. Social policy measures in Germany are bound by the Constitution, e.g. the right to a decent subsistence minimum.

### **Social systems' functions**

The European Commission refers to the social systems' various functions for a reason. After all, their investment function aside, social systems also serve social protection purposes in difficult life stages and a stabilisation of the economy. Deutscher Verein welcomes the European Commission's recognition of said protection and stabilisation functions. In Deutscher Verein's view, a modern and efficient welfare state has to discharge and combine quite a number of responsibilities: The German social systems'

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<sup>4</sup> Cf. Empfehlungen des Deutschen Vereins zur Weiterentwicklung Kommunalen Bildungslandschaften, NDV 2010, 18 ff.

<sup>5</sup> Cf. Empfehlungen des Deutschen Vereins zur Weiterentwicklung des SGB IX, NDV 2013, 246 ff.

<sup>6</sup> Cf. Erstes Diskussionspapier des Deutschen Vereins zu inklusiver Bildung, NDV 2011, 197 ff.

<sup>7</sup> Cf. Pressemitteilung des DV vom 24. April 2013 zum Gesetzentwurf zur Förderung der Prävention sowie: Prävention und Rehabilitation vor und bei Pflege umsetzen! Empfehlungen des Deutschen Vereins zur Verringerung von Pflegebedürftigkeit, NDV 2011, 411 ff.

<sup>8</sup> Cf. Stellungnahme des Deutschen Vereins zum Entwurf eines Pflege-Neuausrichtungsgesetzes, NDV 2012, 329 ff. and Empfehlende Hinweise des Deutschen Vereins zur Umsetzung des Persönlichen Budgets nach SGB IX, NDV 2007, 105 ff.

objective is to realise social justice and social security. Social benefits are to contribute to a decent existence, create the same conditions for a free development of the individual, among young people in particular, protect and promote the family, allow earning one's livelihood in a freely chosen job and avert or compensate for special burdens in life, also by helping people to help themselves. In order to discharge these responsibilities, the necessary social services and institutions have to be available in time and to a sufficient extent.<sup>9</sup> This comprehensive understanding of social policies has to be taken into account in the course of the steering and coordination efforts at the EU level when reforms are being recommended.

Deutscher Verein states that parts of the welfare system do not only serve social protection ends but are also to safeguard the obtaining standards of living. The objective of old age provision in Germany, for example, goes much beyond a safeguarding of a decent subsistence minimum. While the statutory pension scheme also has an economy-stabilising effect, a stabilisation of the economy and growth rate is not among its prime responsibilities.<sup>10</sup>

### **The social systems' effectiveness and efficiency**

In order to use resources in the social field as effectively and efficiently as possible, the European Commission calls for applying the conditionality principle, that is, to attach conditions to certain benefits or services.<sup>11</sup> The support for job-seekers in Germany in form of basic security benefits is conditional upon the job-seeker helping to overcome their need for help. Since the European Commission has not made its ideas specific, an assessment is rather difficult to make. Still, Deutsche Verein objects to an application of this principle in all social policy areas to increase efficiency.

The European Commission proposes central contact points to promote the use and to make the administration of social systems easier. In Deutscher Verein's view, local contact points, primarily when using existing structures, could be advantageous in some areas. Users will get advice out of one hand and receive the support they need faster and more effectively. In terms of administration, the advantage lies in the networking,

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<sup>9</sup> Cf. § 1 SGB I (Social Code I).

<sup>10</sup> Cf. Stellungnahme des Deutschen Vereins zum Weißbuch der Europäischen Kommission "An agenda for adequate, safe and sustainable pensions", NDV 2012, 465 ff.

<sup>11</sup> Cf. COM(2013) 83, p. 10 and 12.

facilitation and steering of various social services: A networked advice structure avoids duplication or mistakes and thus increases its efficiency. Access to another, more specialised, contact point is not excluded; it should be made possible, if need be. The advice given there can then be made even more efficient and to the point.<sup>12</sup> It should, however, be checked in which areas of the social systems and in what circumstances central contact points could also be of use and an improvement. Targeted and better services and advice, coordination and networking are only possible if the service provider has a sufficient number of staff. A comprehensible use of the pertinent language could also help to make administrative processes easier and better reach out to users. Deutscher Verein therefore welcomes the European Commissions' intention to support the Member States in the exchange of good practice.

### **The role of social services**

For social investments in all life stages, special services are of special importance.<sup>13</sup> In Deutscher Verein's view, investments here are especially effective: Accessible, affordable and high-quality services do not only give dependable and available support in adverse life situations and to disadvantaged groups of people, they also increase their labour market participation. At the same time, social services contribute to a realisation of the European Union's values and an attainment of its targets (a high employment and social protection level, a high health protection level, equal opportunities for men and women, social and regional cohesion).<sup>14</sup>

To let social services have an impact as social investments, the right conditions have to be come up with. The bulk for social services is rendered as services of general interest. In Deutscher Verein's view, the European Commission's distinction between for-profit and not-for-profit services makes sense. A municipality can attach a common-good obligation to a service. This allows it to meet special requirements in terms of price,

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<sup>12</sup> Cf. Eckpunkte des Deutschen Vereins für einen inklusiven Sozialraum, NDV 2012, 15 ff. and Empfehlungen des Deutschen Verein zur Vereinbarkeit von Familien- und Erwerbsleben, NDV 2009, 513 ff and Kommunale Familienbüros – Recherchebericht zur Situation der Beratungs- und Serviceleistungen für Familien in Kommunen und erste konzeptionelle Eckpunkte zum Ausbau und zur Weiterentwicklung Kommunaler Familienbüros, Deutscher Verein 2009, <https://www.deutscher-verein.de/aktuelles/pdf/Familienbueros1.pdf>.

<sup>13</sup> Cf. COM(2013) 83, p. 22. ff.

<sup>14</sup> Cf. Stellungnahme des Deutschen Vereins zur Entwicklung eines europäischen freiwilligen Qualitätsrahmens für soziale Dienste, NDV 2010, 481 ff.

quality, availability and accessibility and allow disadvantaged people or people in need to use the service.<sup>15</sup>

Deutscher Verein notes that increasingly in the European Commission and in the European Parliament service-provision structures are recognised that are not based upon public procurement. In Germany, for example, social services are regularly rendered as provided for by the so-called social-law triangle, according to which all potential service providers that are able to meet the statutory (quality) criteria are entitled to get approval for providing the service in question. It is, in the end, the user who then decides which provider he or she wants to use. The general approval entitlement applies to all service providers to the same extent and does not discriminate against providers from other EU Member States and is thus consistent with EU primary legislation. Deutscher Verein thus repeats its request expressly to mention this alternative form of organisation for rendering social services in the directive on the award of concessions contracts currently being negotiated<sup>16</sup> and refers to the European Parliament's Internal Market Committee's good proposals.<sup>17</sup>

### **Financing the social systems**

Deutscher Verein welcomes the fact that the European Commission does not consider the matter in terms of expenditures alone, but also issues proposals on a sustainable financing and development of resources. Unfortunately, it more or less confines itself to the contribution made by earned income and the utilisation of private and third-sector resources. Deutscher Verein calls upon the European Commission to check how it may support the Member States in an effective taxation, e.g. through fighting tax evasion or developing joint tax sources. Public revenues can also be increased by a broader tax base and an inclusion of various types of income and assets.<sup>18</sup>

A key role for a sustainable financing of the social systems is played by the labour market. The consequences of the demographic change are easier to cope with if the

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<sup>15</sup> Cf. 3rd Biennial Report on Social Services of General Interest, SWD(2013) 40, p. 10.

<sup>16</sup> IMCO. Report on the proposal for a directive of the European Parliament and of the Council on public procurement, 11.1.2013, EC 3a and Stellungnahme des Deutschen Vereins zu den Vorschlägen der EU-Kommission für Richtlinien zur Modernisierung des europäischen Vergaberechts für öffentliche Aufträge und Dienstleistungskonzessionen, NDV 2012, 395.

<sup>17</sup> Cf. IMCO, Report on the proposal for a directive of the European Parliament and of the Council on the award of concessions contracts, 1.2.2013, EC 21 a.

<sup>18</sup> Cf. Stellungnahme des EWSA Ergebnisse des Beschäftigungsgipfels“, SOC/343.

employment potential is utilised as fully as possible.<sup>19</sup> Deutscher Verein therefore welcomes the European Commission's call for a higher employment rate, especially among women and older employees. At the same time, it notes that besides employment promotion in a narrow sense, this requires a number of accompanying measures, namely, a further expansion of the infrastructure for social services, e.g. in child care and nursing, occupational health promotion schemes, advanced vocational training and a family-friendly work organisation. In future, there has to be more of a focus upon the quality of employment. Deutscher Verein once again emphasises here that an increase in labour market participation through precarious contracts of employment runs counter to the social security objective. The European Commission's intention to promote decent and sustainable (minimum) wages and to counteract the increased segmentation in the labour market caused by temporary and precarious contracts of employment<sup>20</sup> therefore receives support.<sup>21</sup>

The European Commission proposes also to use innovative financing tools and private financing. This could contribute to balancing the budgets.<sup>22</sup> The European Commission does not make any new specific proposals regarding a use of the private and third sector's resources, nor does it specify which areas might benefit from innovative financing.

Deutscher Verein welcomes the fact that the European Commission acknowledges the important contribution made by the social economy, social businesses and independent not-for-profit providers of social services, also through their use of their own means and voluntary work. Social businesses thus complement governmental social measures but do not replace them. Deutscher Verein stresses that the main responsibility for financing the social systems rests with the government and social insurance systems. Looking for a new financing tool must not be an excuse for letting the government shirk its social policy responsibility.<sup>23</sup>

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<sup>19</sup> Cf. Weißbuch: An agenda for adequate, safe and sustainable pensions, COM(2012) 55, p. 7 f.

<sup>20</sup> Cf. Communication from the European Commission "Towards a job-rich recovery", COM(2012) 173, p. 11 und 13.

<sup>21</sup> Cf. Stellungnahme des Deutschen Vereins zum Weißbuch der Europäischen Kommission Eine Agenda für angemessene, sichere und nachhaltige Pensionen und Renten NDV 2012, 465 ff.

<sup>22</sup> Cf. COM(2013) 83, p. 22 f.

<sup>23</sup> Cf. Stellungnahme des Deutschen Vereins zum Vorschlag für eine Verordnung über ein Programm der Europäischen Union für sozialen Wandel und soziale Innovation, NDV 2012, 283 ff.

The establishment of funds for social entrepreneurship already proposed by the European Commission last year and the EU Programme for Social Change and Innovation can make a contribution to investments in social services. One decisive criterion as a social company has to be the company's obligation to re-invest its surplus in its social mission. Such social businesses find it much harder than for-profit companies to get investment funds. In Deutscher Verein's view, a social provider's social orientation has to be protected, which is why their promotion and financing have to be designed in such a fashion that investors and sponsors' interests do not run counter to social businesses user-orientated, independent work for the common good. Deutscher Verein would not like to see the matter discussed primarily in terms of cost efficiency. The efforts have to focus upon how to guarantee and develop accessible and affordable high-quality social services, also by using voluntary workers.<sup>24</sup>

The Social Protection Committee (SPC) has announced that it will consider the financing of the social protection systems and the effectiveness and efficiency of such expenditures and create a group of experts for that purpose. If that work will form an important basis for the European Commission and Council's assessment of social investments, Deutscher Verein would like to see the Committee and group of experts' deliberations made transparent and relevant stakeholders involved.

### **Steering and coordination at the EU level**

Deutscher Verein welcomes the European Commission's announcement to support a strengthening of the EU's coordination and steering processes' social dimension. This is in line with the EU's commitment to the social goals set forth in the European treaties. Deutscher Verein points to the obligation to take account of the EU's social goals when determining and executing EU policies and the attendant measures (see Article 9 in the Treaty on the Functioning of the European Union) in particular.

When implementing the Europe 2020 Strategy, its social dimension has to be strengthened. Social inclusion and the fight against poverty as well as promotion of education and employment should be understood as key targets regarding an inclusive

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<sup>24</sup> Cf. Stellungnahme des Deutschen Vereins zum Vorschlag für eine Verordnung über ein Programm der Europäischen Union für sozialen Wandel und soziale Innovation, NDV 2012, 283 ff.



growth of the EU in accordance with their status in the Strategy resolved in 2010<sup>25</sup> and thus be pursued in the European Semester's implementation. The European Commission has to provide enough space for the social goals in its next Annual Growth Survey at the end of 2013. These key targets, social inclusion in particular, should be made part of the country-specific recommendations to be issued to the Member States this summer. Deutscher Verein thus calls upon the European Commission to follow up on its announcements in the imminent draft of the recommendations in consideration of the subsidiarity principle and better focus upon the social goals. As announced, the Member States should be obligated to include in their national reform programmes detailed statements on social investments<sup>26</sup>, strategies of active inclusion (appropriate incomes, inclusive labour markets and access to high-quality services)<sup>27</sup> and integrated strategies to improve children's opportunities<sup>28</sup>.

Deutscher Verein deems an early and comprehensive involvement of the regions (*Länder*), municipalities and non-statutory welfare services (*freie Wohlfahrtspflege*) in the analytic, strategy development and implementation processes very necessary indeed. The exchange and cooperation of the various levels make for a real value-added in the interest of the people concerned. In a federal and pluralistic country like Germany, which puts much emphasis on the subsidiarity principle when the government assigns responsibilities among the levels and in and for social services and benefits, complex strategies like the national reform programmes can only be pursued when acting together.<sup>29</sup> Deutscher Verein asks the European Commission to take account of these aspects of the Europe 2020 Strategy by immediately issuing a guideline on the involvement of stakeholders, as announced in 2010 in the Communication on the "European platform against poverty and social exclusion".

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<sup>25</sup> Cf. Stellungnahme des Deutschen Vereins zur Europäischen Plattform gegen Armut und soziale Ausgrenzung, NDV 2011, 152 ff.

<sup>26</sup> COM(2013) 83, p. 11.

<sup>27</sup> COM(2013) 83, p. 14.

<sup>28</sup> COM(2013) 83, p. 25.

<sup>29</sup> Cf. Stellungnahme des Deutschen Vereins zu den Nationalen Reformprogrammen im Rahmen der Strategie „Europa 2020“, NDV 2012, 21 ff.