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# The Social Dimension of the EU

## A Study on Benchmarking Recommendations

Opportunities of and
Limits to Benchmarking
for a Social Europe

Annette Scoppetta
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EUROPÄISCHES ZENTRUM FÜR WOHLFAHRTSPOLITIK UND SOZIALFORSCHUNG

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# EXECUTIVE SUMMARY

The study “The Social Dimension of the EU” aims at identifying thematic key areas for potential benchmarking processes in the social field during the next potential upward policy convergence. Pros and cons of the benchmarking process, its benchmarks and corresponding social indicators are discussed, exemplified by the minimum income benefits, and further analysis is suggested to supplement the exercise. The study shows that benchmarking in the social dimension has its pitfalls when focusing on purely quantitative target setting. Thus, benchlearning processes are suggested, in which analysing the causes and frameworks for the societal challenges, learning from others and action taking stands in the forefront.

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# 1. INTRODUCTION[1]

***What are the key areas of the social dimension to be identified for benchmarking with a view to upward policy convergence?***

On 8 March 2016, the European Commission (EC) presented a communication on launching a consultation on a European Pillar of Social Rights to strengthen the Economic and Monetary Union (EMU) aiming at upward policy convergence in the euro area. In this context, principles were set out to support well- functioning and fair labour markets and welfare systems (European Commission, 2016a). The EC announced the gradual introduction of benchmarks and comparative studies between policy or thematic areas as from the European Semester[22] 2016 (European Commission, 2015c). From the point of view of the EC, the strengthening of the European Semester was to drive structural reform in the Member States (MS) so as to contribute to upward policy convergence.

In a European Union (EU) characterised by a growing divide between rich and poor and an increase in poverty, the central question is whether benchmarking is a suitable method to be applied in the fields of social protection and social welfare so as to contribute to upward policy convergence. In this context, the Austrian Federal Ministry for Labour, Social Affairs and Consumer Protection (BMASK) commissioned the European Centre for Social Welfare Policy and Research (European Centre) to produce a study identifying policy areas suited for benchmarking, to critically reflect on the method in this specific field and to propose content and reference values recommended in the context of potential benchmarking in key areas of the social dimension.

This study discusses benchmarking as a potential instrument and contribution to upward policy convergence in the field of social protection: Looking at current challenges and objectives of social policy, relevant policy areas were examined in the first phase. As the study took more concrete shape, 14 thematic key policy areas were identified; these included proposals for a number of fields such as education policy, fiscal policy and labour-market policy. Benchmarking was then discussed in the context of minimum income schemes. Building on this, a process of analysis was devised to deal with the issue of poverty. The study shows the weak points of the benchmarking concept. Findings clearly show that this method from business management cannot be applied as is to the field of

[1] *We would like to express our thanks to the project advisory board which was convened in connection with this study and provided recommendations to the European Centre.*

[2] *The European Semester is the annual cycle of economic policy coordination at EU level.*

social protection and social welfare because essential information is lost and analyses may be misguided.

The study comprises five chapters: The Introduction (Chapter 1) is followed by a section explaining issues, objectives, methods and working process (Chapter 2). Whilst benchmarking in general is discussed in Chapter 3, Chapter 4 looks into the specific area of benchmarking minimum income schemes and discusses an additional analytical process regarding poverty.

Chapter 5 (Conclusion) summarises the study findings and presents recommendations for the Federal Ministry (BMASK).

# 2. ISSUES, OBJECTIVES, METHODS AND PROCESS

## 2.1. Issues

The central issue to be dealt with by the study was: ***What are the key areas to be identified for benchmarking with a view to upward policy convergence so as to capture the social dimension and to support social progress?***

The study responds to the following questions embedded in this central issue:

- *What are the benefits and drawbacks of benchmarking in the field of social protection?*
- *Which benchmarks and social indicators can be recommended for the specific key area of minimum income? How can social protection and social welfare be strengthened through benchmarking?*
- *What has to be taken into account in an analytical process dealing with poverty? Which gaps are there in the analysis? Which supporting measures should be considered to underpin benchmarking?*

## 2.2. Objectives

The project is to help underpin the BMASK contribution to the European Pillar of Social Rights and identify perspectives for strengthening the social dimension of the EU. In this context, its objectives include:

a) *Identification of key policy areas* where there are challenges to social policy and which ought to be included in benchmarking at an EU level so as to support social progress in Europe;
b) *Discussion of selected benchmarks deemed relevant and the related social indicators,* including recommendations for their application;
c) *Identification of supporting measures* to underpin the benchmarking process, such as evidence-based analyses and political dialogue; and
d) *Deduction of recommendations* for the BMASK for use in the current benchmarking discussions in the committees dealing with issues of social policy.

## 2.3. Methods and Working Process

The method used in the compilation of the study comprises literature research, processing of statistical data, identification and analysis of potential benchmarks and social indicators to monitor the EU social welfare systems and their development as well as the deduction of policy recommendations.

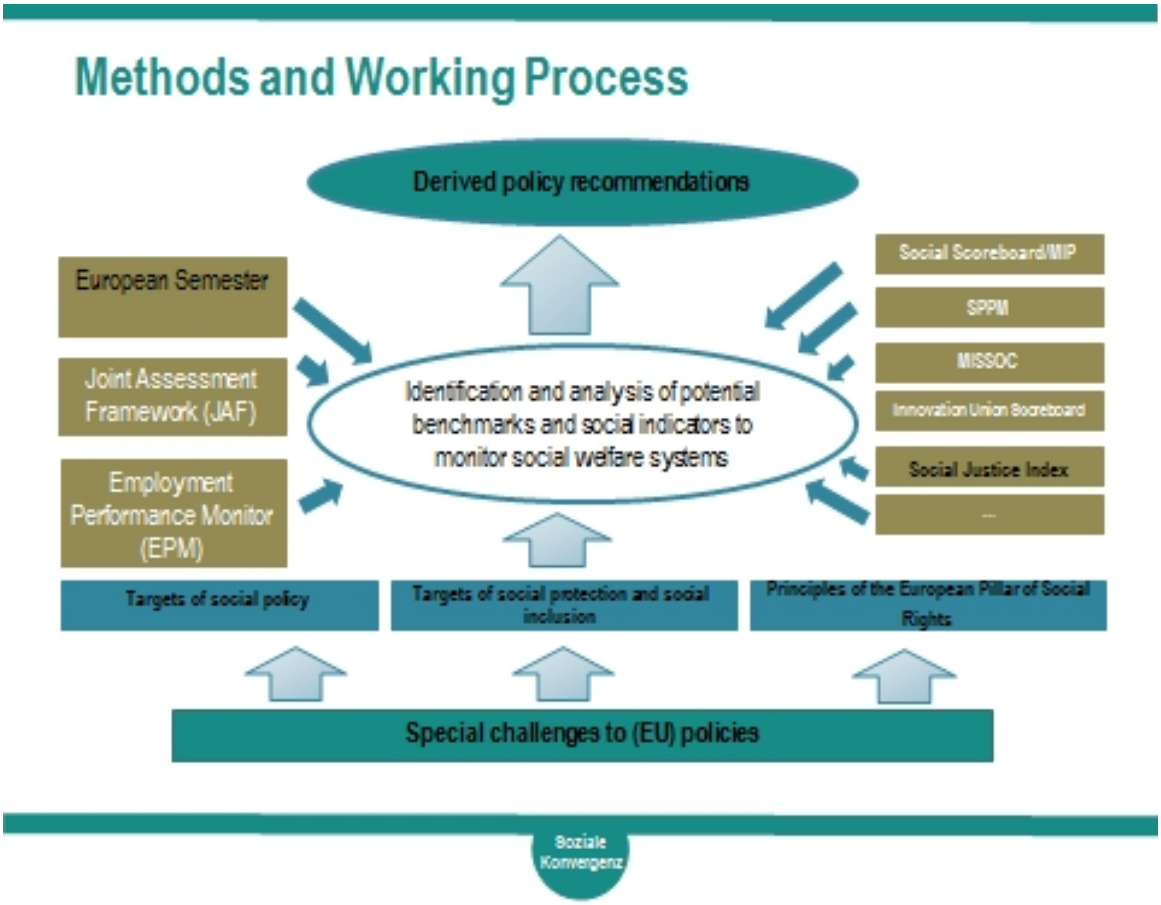
The policy areas which the study focused on were those in the Employment Performance Monitor (EPM) which are covered by the Joint Assessment Framework[3] (JAF). Moreover, the policy areas of the European Semesters and the policy areas for the achievement of goals in social policy were examined. Special attention was paid to the objectives of social protection and social inclusion (European Commission, 2015b) and the principles of the European Pillar of Social Rights (European Commission, 2016a). Existing indicators and measuring instruments[4] used for the European Semester as well as those used for other analyses[5] were screened and examined for their relevance and suitability in benchmarking to achieve social policy objectives. The study focused on the selected key area of minimum income, explaining in this context a possible supplementary analytical approach to the issue of poverty. Subsequently, recommendations were derived from the outcomes (see Fig. 1).

*[3] The JAF is an analytical instrument to monitor progress towards the EU-2020 targets, it is also used by the Social Protection Committee in the context of social inclusion and poverty alleviation.*

*[4] For example, this comprises the Social Scoreboard/MIP, Social Protection Performance Monitor/SPPM (European Commission, 2012a) and the Mutual Information System on Social Protection/MISSOC.*

*[5] For example, this includes the Innovation Union Scoreboard, OECD tax-benefit model, EUROMOD, the "EU Justice Scoreboard", and instruments of the United Nations (SDG, Sustainable Development Goals), of ILO and the World Bank etc.*

**Fig. 1: Methods and Working Process**



# 3. BENCHMARKING IN THE SOCIAL DIMENSION

*"Social convergence in the euro area has broken down; it needs to be restored*" says the European Political Strategy Centre[6] (European Commission, 2015a, page 3). The reasons for this can be found rooted in the financial crisis, which caused the MS to arbitrarily cut social protection and impose disproportionate taxes on the working population so as to be able to finance budgetary consolidation (European Commission, 2015a). According to the EC, this came with negative social and economic consequences (see also OECD, 2014). A report of the Friends of Europe also found: *"Europe's future is (...) threatened by under-investment in people"* (Friends of Europe, 2015, page 14). However, analyses have also shown that states characterised by high quality of work, effective social welfare systems and investments into their human capital are more resilient in the face of crises.[7] Social investments thus pay off: *"Investment in the welfare state not only brings social progress but is also worthwhile in economic and fiscal terms"*, say the European Economic and Social Committee (2014, page 2). The EU Annual Growth Survey 2016 states that social investment pays off in the long run: *"Social investment offers economic and social returns over time, notably in terms of employment prospects, labour incomes and productivity, prevention of poverty and strengthening of social cohesion"* (European Commission, 2015e, page 9).

The EC launched a number of initiatives to strengthen the social dimension (and thus the EMU): In this context, special mention must be made of the *European Pillar of Social Rights*, which aims at renewed upward policy convergence within the euro area. As mentioned above, consultation started in the spring of 2016 to lay a foundation for creating principles for well-functioning and fair labour markets and welfare systems (European Commission, 2016a). Approaches to various areas such as life-long learning, employment contracts, pensions, health and safety at work, unemployment benefits and equal opportunities, long-term care, child care and housing were covered by the related questions (e.g. Question 9: "What domains and principles would be most important as part of a renewed convergence for the euro area?"; European Commission, 2016b). Moreover, the EC identified ways and means to word and specify the domains and principles (European Commission, 2016b). In particular, the EC considered better information sharing about tried-and-tested procedures and benchmarking in areas falling in the direct competence of the MS[8] a contribution to driving convergence.

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[6] *The European Political Strategy Centre was established by EC President Juncker and reports directly to him. It prepares strategic analyses and political recommendations on central political challenges. The views in its publications do not necessary coincide with those of the European Commission.*

[7] *http://europa.eu/rapid/press-release_IP-15-3321_en.htm*

[8] *http://ec.europa.eu/social/main.jsp?langId=de&catId=89&newsId=2444&furtherNews=yes*

The EC's initiative to strengthening the social dimension with the help of this consultation on the Pillar of Social Rights is in principle welcomed by many experts. However, the initiative has also left many questions unanswered, such as the legal framework[9] or the link to the European Semester. *"Einige Grundsätze lesen sich (…) wie Versatzstücke aus dem neoliberalen ´Main- stream'-Rezeptbuch und sind kritisch zu beurteilen" ["Some principles sound (…) like stock phrases from the neoliberal 'mainstream' cookery book and must be seen with a critical eye"]*, say Bruckner and Soukup.[10] If lessons are to be learnt from the past, the general direction of the course the EU is steering needs to be questioned because so far, this course has led to mounting poverty and a growing divide between rich and poor (see e.g. European Commission, 2015g; OECD, 2011b). For years, experts from a variety of policy areas have not only called for a reconsideration of that course but also an assessment of progress on the basis of social indicators: Strengthening the social dimension is considered an "urgent necessity"[11]. And what is more: *"European policy makers are (…) called to treat social concerns and to develop EMU's social dimension with the same urgency as the four other pillars of the genuine economic and monetary union"* (Fernandes and Maslauskaite, 2013, page 15). The ILO also informs us: *"Economic, social and environmental goals can be consistent with one another if, first, environmental reforms are broadened (...) and second, emphasis is placed on improving employment prospects of the most vulnerable"* (ILO, 2011, page 2f).

For many experts, the social dimension is basically of secondary importance in the context of European policy. For example, Schellinger considers the objectives and instruments of the social dimension to have been undermined; *"sie spielen in der EU-Politik eine Nebenrolle" ["they play a mere supporting role in EU policy"*] (Schellinger, 2015, page 1). Becker (2015) explains the reasons for the discrepancy between economic and sociopolitical integration and the social policy dilemma of the EU through structural contradictions and in particular through the "fundamental conflict" between national welfare states and European policy making. Friends of Europe consider social policies to be generally underrepresented: *"Widespread and persistent political misrepresentation of social policies has too often presented them as an economic burden"* (Friends of Europe, 2015, page 15). Schellinger identifies a *"konstitutionelle Asymmetrie" ["constitutional asymmetry"*]" between the instruments of economic and social policies: single market and monetary union impose restrictions on national labour market and social policies of the MS; at the same time, heterogeneity of welfare states, caused by different levels of economic development,

[9] *http://blog.arbeit-wirtschaft.at/eine-europaeische-saeule-sozialer-rechte-chance-fuer-ein- soziales-europa*

[10] *http://blog.arbeit-wirtschaft.at/eine-europaeische-saeule-sozialer-rechte-chance-fuer-ein- soziales-europa*

[11] *Authors' translation of Fernandes and Maslauskaite, 2013, page 15*

prevents integration in the social policy area (Schellinger, 2015).[12] It is an established fact that there exist different ideologically influenced views as to how economic-monetary and social integration can be reconciled (Erdmenger et al., 2009). Moreover, the relations between national and European competencies and the leeway which nation- states have in shaping social policies are further moot points.

The national social welfare systems are very heterogeneous – in spite of the fact that problems, such as unemployment, poverty, longer life expectancy etc. are similar. Until this very day, the nation states have remained the main actors in social policy making in Europe. The social welfare and protection systems have developed over a long period of time, reflecting the special features and differences between European societies (Becker, 2015). Apart from different historical structures and systems (as well as diverging views of how to weight economic and social issues) there are similar socio-political challenges: demographic change, changes in the working world (including conditions of employment, e.g. the increase in atypical work), globalisation, the growing imbalance in the distribution of capital and the digital revolution, to name but a few *"drivers for social change"*, have been changing Europe. The improved organisation of welfare systems is part and parcel of European social policies where society is an essential part of the economic system.[13] Hence, the integration of objectives and policies of social protection as well as stronger emphasis on social issues, as reflected in convergence, is in fact indispensable.

In the EU there is a clearly defined framework of competence in which European social policies can be shaped. Nevertheless, the EU does not have its own social welfare systems. It does not collect taxes or social security contributions and thus does not have a reasonable social budget for offering Union citizens e.g. a minimum income system. As a consequence, EU social policy cannot replace the national welfare states but it can guarantee a common structural minimum, thus supplementing national policies (Becker, 2015). However, the EU does have far-reaching social policy targets and fundamental rights (e.g. the "Fundamental Rights Charter of the EU", a general ban on discrimination, chapters in the Treaty regarding employment and social policies; i.e. employment and social policy chapters in the Treaty of Lisbon and a special cross-cutting social clause). Given this, the Union considers requirements in the context of a high level of employment, appropriate social protection, combating social exclusion and high quality in the general and vocational education and health care systems when determining and implementing its policies and measures. Unanimity of MS is required when decisions are taken in the following areas: social welfare and social protection, protection in the context of employment contract termination and

[12] *Reference is made to Scharpf (2002): The European Social Model. In: JCMS-Journal of Common Market Studies 40(4).*

[13] *As early as in 1978, Karl Polanyi voiced criticism about "the market economy system treating society as an accoutrement to the market" (Polanyi, 1978/1944).*

collective representation of workers' interests, including co-determination (Schellinger, 2015). Salary policies are expressly exempted.[14] In its comment on the European Pillar of Social Rights[15], the Austrian Trade Union Federation (ÖGB) has therefore demanded, amongst other things, that the EU should support MS in encouraging collective bargaining and seek to ensure that as many workers as possible are covered by collective agreements. In general, EU measures must not affect the fundamental national principles of social welfare and their financial balance (Art. 153, 4). Nevertheless, the EU has numerous instruments, such as rulings of the European Court of Justice, the Open Method of Coordination, the Social Dialogue and the European Funds, to intervene (see Table 1). The reinforced Excessive Deficit Procedure and the Macroeconomic Imbalance Procedure may likewise be used for steering this process (Schellinger, 2015).

[14] *However, within the framework of the European Semester recommendations are given for national wage policies.*

[15] *http://www.oegb.at/cms/S06/S06_5.a/1342574108098/eu-international/oegb- stellungnahme-zur-konsultation-der-eu-kommission-ueber-eine-europaeische-saeule- sozialer-rechte*

**Table 1: Policy Areas and Instruments of the Social Dimension**

| Policy area | Method | Legal basis |
|---|---|---|
| Employment and labour market policies | Open Method of Coordination/ European Semester | Art. 145-150 (TFEU[16]; Fiscal Compact; Sixpack[17]) |
| Employment law | Community method | Art. 151-161 (TFEU); Fundamental Rights Charter |
| Labour relations | Social Dialogue | Art. 151-161 (TFEU); Fundamental Rights Charter |
| Combating social exclusion | Ordinary legislative procedure | Art. 153 (TFEU); Fundamental Rights Charter |
| Social welfare and social protection | Special legislative procedures | Art. 153 (TFEU); Fundamental Rights Charter |
| Encouraging MS cooperation | Open Method of Coordination | Art. 156 (TFEU); Fundamental Rights Charter |

*Source: Based on Schellinger, 2015; complemented by social policy points according to Becker, 2015*

Several initiatives have been launched to measure social progress in the EU: One example is a draft regional index for social progress in the EU, which was submitted in February 2016 ("Social Progress Index").[18] The OECD is measuring social progress by way of an indicator framework for *"Social outcomes and social responses"* (OECD, 2011a, page 30).[19] Moreover, 2008, saw the creation of a Commission on the Measurement of Economic Performance and

*[16] Treaty on the Functioning of the European Union (TFEU).*

*[17] The Sixpack relates to a set of six European legislative measures which took effect in December 2011 (reform of the Stability and Growth Pact and the new procedure of macroeconomic surveillance).*

*[18] This index exclusively considers outcome indicators as well as the following three dimensions: fundamental human needs, foundations of well-being and opportunities; see http://ec.europa.eu/regional_policy/de/newsroom/ news/2016/04/04-01-2016- figuring-out-social-progress.*

*[19] Results are published in the series "Society at a Glance" (OECD 2014, 2011).*

Social Progress (Stiglitz Commission[20]) at the initiative of the French government (Statistik Austria, 2012). One central motivation to do so was the growing gap between classic reference units for economic growth and the citizens' individual and subjective perception of progress and well-being. Such a gap undermines the trust of the public in official statistics, and it was additionally aggravated by the financial crisis. The question arose whether statistics were suited to identify non-sustainable developments in an appropriate and timely manner.[21] As quantitative methods often do not sufficiently reflect the reality of social conditions, this study will also put a special focus on benchlearning (and benchaction) (see section 3.2).

Given one of the aims of the study, i.e. perspectives for potentially developing the social dimension of the EU by benchmarking, the study examines key policy areas selected on the basis of social policy objectives and challenges (see following chapter).

***"Income inequality in OECD countries is at its highest level for the past half century. The average income of the richest 10% of the population is about nine times that of the poorest 10% across the OECD, up from seven times 25 years ago."***
***OECD (http://www.oecd.org/social/inequality.htm)***

## 3.1. An Outline of Principles, Objectives and Challenges

Article 151 of the Treaty on the Functioning of the EU (TFEU) contains social policy objectives: the promotion of employment, improved living and working conditions, equal treatment of workers, proper social protection, social dialogue, the development of human resources with a view to lasting high employment and the combating of exclusion.[22] The consultation on the Pillar of Social Rights, the objectives of social policy and the ability to produce tangible results are being put to the test (European Commission, 2016a). According to the consultation paper, these comprise the creation of well-functioning and fair labour markets, the strengthening of social cohesion and the improvement of the standard of living.

[20] *http://www.statistik.at/web_de/statistiken/wohlstand_und_fortschritt/initiativen_zur_fort-schrittsmessung/stiglitz_sen_fitoussi/index.html*

[21] *The final report (Stiglitz-Sen-Fitoussi Report) was presented in September 2009. In terms of content, the analysis looks at three pillars: GDP issues, quality of life, sustainable development and environment.*

[22] *http://eur-lex.europa.eu/summary/glossary/social_policy.html?locale=de*

*"Modern social policy should be based on investment into human resources, grounded in equal opportunities, the prevention of and protection from social risks, effective safety nets and incentives for access to the labour market*", the EC says (2016a, page 4). This is underpinned by three key principles: equal opportunities and access to the labour market, fair working conditions as well as proper and sustainable systems of social welfare.[23] The Social Pillar should serve upward policy convergence and deal with poverty and inequality (European Commission, 2016f).

In 2015, almost one quarter of the EU population (23.7%) – this is equivalent to 118.8 million people – was at risk of poverty or social exclusion.[24] Thus, the EU is in nowhere near reaching the "2020 poverty goal". Moreover, the gap between rich and poor is growing ever larger. This is confirmed by the OECD: *"Income inequality in OECD countries is at its highest level for the past half century. The average income of the richest 10% of the population is about nine times that of the poorest 10% across the OECD, up from seven times 25 years ago."*[25] Poverty, social exclusion, inequality and unemployment are spreading in the entire EU (European Commission, 2014). Furthermore, the differences between and within individual MS are getting more and more marked (European Commission, 2015a). However, the fight against poverty is not only an issue within the EU: In its "Sustainable Development Goals" (SGDs) the United Nations likewise identified 17 goals to be reached by 2030, with Goal 1 also being defined as "ending poverty in all forms and everywhere" (United Nations, 2015).

If the desire to strengthen the social dimension is to be taken seriously, the EU has to respond to these challenges. However, it will not be possible to tackle issues of poverty and inequality within the framework of employment and social policies alone: *"The financial crisis has produced an unprecedented social crisis but the social agenda alone cannot compensate for the malfunctioning of the monetary union. It is an illusion. It is the monetary union itself which needs to be reconstructed"*, says László Andor, former EU Commissioner for Employment and Social Affairs and current "Senior Fellow at Hertie School of Governance" (Andor, 2016, page 22). The social dimension must be embedded in the agenda to reform the EMU: "The EMU needs to embrace a logic of upward convergence and embed the social component at the very core of its policy inception and design" (European Commission, 2015a, page 2). If the EU is to be given a "Triple- A" rating in social affairs, not just in a financial and economic context – as has been demanded by Commission President

[23] *For further information see Annex II.*

[24] *Source: 2016 Social Protection Performance Monitor.*

[25] *http://www.oecd.org/social/inequality.htm*

Jean-Claude Juncker[26] - there is a need to develop a social dimension of the EMU a nd thus a need to include social issues in all EMU agendas.

## 3.2. Discussion of Previous EU-Benchmarking Processes in Employment & Social Affairs

The Juncker Commission has repeatedly confirmed that the social dimension is a central concern of the EC (e.g. European Commission, 2015f). As early as in 2013, the EC said the following: *"For EMU to work properly, its governance structures need to be completed to be able to prevent and correct lasting disparities that might threaten the financial and economic stability of the monetary union as a whole, our prosperity, and ultimately our social market economy*" (European Commission, 2013a, page 3). To name but one example, so as to contribute to making the social status of Europe a top scorer[27] and to better support political decision-making in general and social policies in particular, the EC adopted a regulation proposal for new integrated ways of collecting and using data from social statistics at the end of August 2016. Apart from improving the availability of data, the EC is also encouraging the use of general benchmarking which is to contribute to heightened identification with the planned structural reforms in the MS and to promote the implementation of such reforms (European Commission, 2015c). From the perspective of the EC, benchmarking – used properly – may provide effective leverage for further measures.

However, the question arises if structural reforms and benchmarking will indeed strengthen the social dimension: *"Structural reforms aimed at increasing flexibility and wage restraint are exacerbating the vulnerability of many categories of workers in Europe and further widening the many forms of inequality observed over the past decade"*, we learn from the European Trade Union Institute (ETUI; 2016, page 6). Structural reforms are often advertised as a universal panacea for economic problems even though a study on structural reforms in Europe found that structural reforms not only jeopardise the objective of combating poverty enshrined in the "Europe 2020" programme but also contradict the principle of promoting social and territorial cohesion in the Treaty on European Union (Hermann, 2015). In the MS concerned, reforms have not led to an increase in GDP but in fact have caused an increase in unemployment, poverty and inequality. At the same time, economic and social divergences in Europe have grown since the crisis. "*Anstatt Strukturen abzubauen und die Zukunft Europas möglichst unregulierten Märkten zu überlassen – eine Strategie, die zur Finanzmarktkrise geführt hat – müsste eine alternative Strukturpolitik auf eine sozial-ökologische Transformation abzielen" ["Instead of dismantling structures and*

[26] *https://www.euractiv.com/section/social-europe-jobs/opinion/ striving-for-triple-a-on-social-issues*

[27] *http://ec.europa.eu/social/main.jsp?langId=de&catId=89&newsId=2600&furtherNews=yes*

*leaving Europe to largely unregulated markets in the future – a strategy which led to the financial crisis – alternative structural policy ought to aim at socio-economic transformation"]*, the study says (Hermann, 2015, page 4).

Hence, it has to be questioned if socially and environmentally friendly growth policies[28] can be reached via a strengthening of structural reforms if structural reforms – as is common in the country-specific recommendations – concentrate on creating a business-friendly environment and reducing red tape, tax reforms, the flexibilisation of labour markets, the decentralisation of collective agreements and pension reforms (Hermann, 2015). *"Benchmarking and comparative reviews could be used to achieve convergence and similarly resilient economic structures in the entire euro area"*, says the EC (2015c, page 6). In this context, the flexicurity agenda is to be revived (European Commission, 2015a). However, as already stated, principles of the Pillar such as "Flexicurity" are often seen with a critical eye. The Austrian Federal Chamber of Labour (BAK) has e.g. asked the crucial question as to whether "the social issue" can actually be dealt with adequately in Europe when benchmarking leads to a rather simplifying and "embellishing" presentation instead of a realistic analysis of the status quo.[29] From the point of view of the authors, a re-establishment of trust and confidence in a common Europe and in particular in the European welfare states would be needed instead of benchmarking in a social policy context and a general agenda of structural reforms. "*The current trend towards ever greater economic as well as social divergence across the European Union cannot form a viable basis for the future of European integration"*, says ETUI (2016, page 6), going on to state: *"Rather than a narrowing of the gap between now and the Europe 2020 targets, we are seeing widening divergence – a sure sign that the current approach is failing to achieve its goals"* (ETUI 2016, page 5).

Benchmarking originates in competitor analysis and is primarily used as a managerial method in business enterprises. In the EU benchmarking was advertised as an instrument under the Open Method of Coordination. Since then, benchmarking has *been "at the heart of the European Union's approach to coordinating economic and social policy within, between and across the member states"* (Arrowsmith et al., 2004, page 311). Nevertheless, the method was primarily used in fiscal policy (the Stability and Growth Pact). In August 2016, the EC adopted an implementing regulation to draw up a list of the critical reference values used in the financial markets.[30] Benchmarking processes were also worked on in the framework of the European Semester: Present and scheduled activities of the EC (or the

[28] *The European strategy for smart, sustainable and inclusive growth and the concept of strengthening the social dimension reflect this vision.*

[29] *Information from the Austrian Chamber of Labour (Adi Buxbaum), 3 November 2016.*

[30] *http://ec.europa.eu/finance/securities/benchmarks/index_de.htm*

Employment Committee[31], EMCO for short, as well as of the Social Protection Committee[32], SPC) include unemployment benefits, flexibility in the labour market and skills of economically active persons. In November 2016, a discussion paper on benchmarking regarding minimum income was submitted to the SPC ("Benchmarking in the area of minimum income"; European Commission, 2016h). Moreover, there were considerations in respect of further activities for the following purpose: *"The European Semester needs to include better and more precise social benchmarks, accounting for social conditions while linking them closely to short- and medium-term economic performance"* (European Commission, 2015a, page 5). In principle, the move towards benchmarking in the social dimension is welcomed by many (e.g. the Social Platform, 2014; Vanhercke et al., 2015) but apart from why and what is measured, the question is also *how* benchmarking is actually carried out.

***There is a need for a structured exchange and reflection on systems, practical experiences and the performance of the Member States in the implementation of their successful as well as their faulty policies***

*"Instead of being about learning and continuous improvement, benchmarking is essentially about target setting and quantitative measurement, encouraging participants to manipulate the evidence to what is seen to be required",* Arrowsmith et al. found (2004, page 321). The review of documents published by the EC has revealed that the focus is clearly on quantitative measurements. By far too little attention is paid to the exchange of practical experience and reflection across several policy areas (i.e. a more holistic approach to problems such as poverty; see section 4.3). This is the case although the JAF was developed as an analytical tool to promote evidence-based policymaking under the EU-2020 targets. Benchmarking should not only support monitoring and evaluation of a status quo (a system/issue/policy); it should be characterised by the interplay of actors learning from each other on the basis of the analysis of "best performers" and improving their own processes/systems/policies on that basis. *"Benchmarking offers organizations a practical tool around which to structure organizational learning through dynamic comparisons with others"*, Arrowsmith et al. state (2004, page 313). The method can help understand where improvements are needed and how good practices can be transferred and implemented. Benchmarking may thus assist political decision-makers in identifying the factors impacting

[31] *http://ec.europa.eu/social/main.jsp?catId=115*

[32] *E.g. Stovicek and Turrini, 2012.*

performance. Moreover, different organisational levels become clear (national, regional, local, institutions and actors). Hence, benchlearning should be stressed to a greater extent, as much as benchaction, i.e. putting the outcomes of activities into practice. In literature, benchlearning and benchaction are often dealt with apart from benchmarking because the focus has shifted: in benchlearning it is more on processes of mutual learning and in benchaction it is on practical implementation (Freytag and Hollensen, 2001). The process per se, leading from reference value to action, is intense as regards the required time and resources. This is why benchmarking should be well organised and grounded in an adequate methodology (Paasi, 2012). Furthermore, benchmarking should be seen as a continuous process subject to ongoing adaptation (the "*iterative cycle of benchmarking"*; Arrowsmith et al., 2004; European Commission, no date).

The benchmarking method applied in the JAF consists of a first stage of screening country-specific challenges on the basis of quantitative information, and a second stage of deeper qualitative analysis to contextualise results based on concrete data.[33] The last stage consists in the identification and prioritisation of challenges (Council of the European Union, 2010). In the documents screened for the study (including those about the application of benchmarking to structural reforms; European Commission, 2016d) hardly any good practice examples, methods of exchange between those concerned (benchlearning) or the concurrent process of policy improvement (benchaction) have been found. In the benchmarking processes considered or implemented by the EMCO quantitative measurements were also clearly in the foreground.

What are the recommendations to be derived from previous benchmarking processes, and in particular from the EMCO process, for the new area of application, i.e. social protection and social welfare? As already mentioned, the question for what is measured (see proposals regarding the analysis of poverty in section 4.3) should be complemented by the question as to how the benchmarking process is carried out: An emphasis on benchlearning and benchaction is recommended to ensure a **structured exchange and reflection about systems, practical experiences and the performance of the MS in the implementation of their successful (as well as faulty) policies**. In this context, benchlearning and benchaction should be part of the benchmarking process from the start. The peer reviews implemented in social protection[34] should therefore be linked more closely with the intended benchmarking activities in the field of social protection.

Here, the focus on *benchlearning* and *benchaction* is also of particular importance because, as already said, Europe is characterised by different, highly complex and historically grown social protection and social welfare systems. Moreover, the social situation is under the

[33] *http://ec.europa.eu/social/BlobServlet?docId=13723&langId=en*

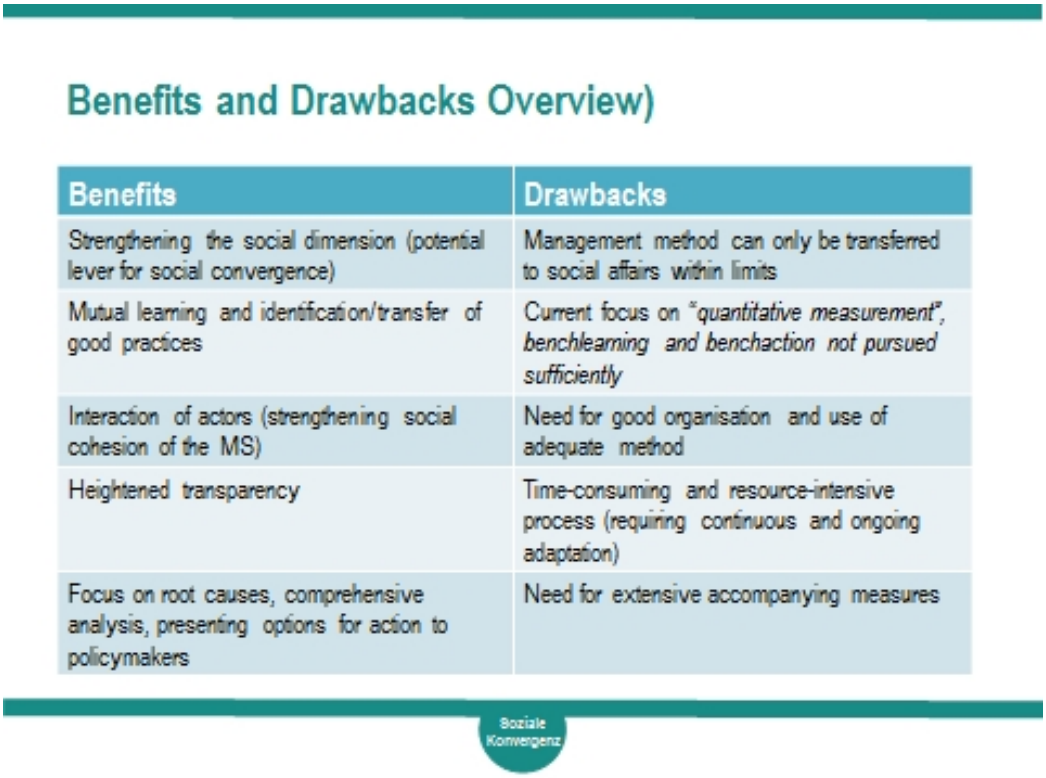
[34] *http://ec.europa.eu/social/main.jsp?catId=1024*

sway of numerous actors: measures to alleviate poverty (to name only one major goal of social policies) can be taken locally, subnationally, nationally and Europe-wide. The MS set EU-wide and national goals (and take related measures). In this context, the measures taken at different governance levels can have mutual impacts, reinforcing or diluting the desired effects (Friends of Europe, 2015; Scoppetta, 2015). By the same token, there is no *"one-size-fits-all"* solution because contexts vary according to regions and individualised, needs-tested measures will be required for particularly underprivileged persons. The European Political Strategy Centre has clarified the following: *"Modern social policy is about activation and helping each and every citizen use their potential to the fullest. That requires personal attention and tailor-made services, especially for those at highest risk of poverty, social exclusion and long-term unemployment. A one-size-fits-all approach to social policy is doomed to fail as individuals with the most profound challenges are difficult to reach with standardised approaches"* (European Commission, 2015a, page 2). This is confirmed by the United Nations: *"One cannot simply 'lift' a particular policy structure or intervention from one country and apply it in another, since the broader institutional context in which it is set may be critical to understanding why it is effective"* (United Nations, 2010, page 33). These basic prerequisites make measurability and, in particular, comparability of the MS more difficult, which is why very important information is lost when processes bank on one or two measurable (quantifiable) standards.

Nevertheless, *the "Benchmarking Discussion Paper on unemployment bene- fits and active labour market policies"* (European Commission, 2016e) shows that well-structured systems to activate unemployed persons and bring them back into employment not only support the functioning of the labour markets but also the adaptability of the EU economy. According to the EC, the net cost of expanding systems for the activation of jobless persons and for bringing them back into employment are lower than those arising for direct pecuniary unemployment benefits. Even if the purely monetary view of these systems in the above analysis does not fully do them justice (a more comprehensive approach would have to consider the impacts on social participation, health etc.), one has to recognise the link with the EU economy because the benchmarking process shows how social investments support the EU economy. This way, a benchmarking process – which, however, ought to put more emphasis on benchlearning and benchaction – can serve social progress. Moreover, it may underpin the analyses done in the framework of the European Semesters and bring greater transparency to the process.

Whilst Fig. 2 provides an overview of the most significant benefits and drawbacks of benchmarking, the subsequent section will present the most important recommendation to support the combined application of benchlearning and benchaction as well as further recommendations for similar processes. Section 3.4 will then describe general findings about benchmarking, benchlearning and benchaction.

**Fig. 2: An Overview of Benefits and Drawbacks of Benchmarking**




## 3.3. Crucial Recommendations on Benchmarking in the Social Dimension

Benchlearning differs from quantitative comparisons of facts, figures and data (benchmarking) in that it centres on mutual learning from experiences. In this context, common features and differences are identified, good practices are highlighted and organisational (here: systemic) learning is fostered, i.e. care is taken to ensure that each participating organisation draws conclusions from the mutual exchange. Subsequently, information about implementing activities building on this process is exchanged (benchaction). When setting up such a process, the following crucial recommendations should be heeded:

***When applying benchmarking processes in the social dimension, the focus should be on benchlearning. Moreover, benchmarking should deal with the causes, not the symptoms, and benchmarking should look at the process instead of the performance.***

**Recommendation1:**
**Extending benchlearning and benchaction (structured exchange and reflection about the systems, practical experiences and performance of the MS)**

As indicators do not cover reality in all its complexity, benchmarking will also always only reflect part of reality. Benchmarking usually does not lead to a comprehensive process of learning for those involved: *"Focusing on the numbers (…) is so much easier than analysing the contingent and multi-dimensional reasons for the differences behind them. At its worst, target setting becomes an end in itself and self-defeating; rather than 'benchmarking', we get 'auditing' as a means to replicate the top-down systems of control evident in much of company-level benchmarking"*, say Arrowsmith et al. (2004, page 321). As already mentioned, benchlearning and benchaction should in particular be strengthened when benchmarking is carried out in the context of social protection and social welfare. A structured exchange and reflection about systems, practical experiences and the performance of the MS in the implementation of their successful (as well as faulty) policies should take place here. This reflection should be built into the benchmarking process from the start, controlled by the EC and followed through with the help of experienced experts. The following aspects are central to implementation:

- **Creating an atmosphere which fosters learning:**
  Apart from comparable sets of data[35] the coordination of partners and the creation of an atmosphere which fosters learning are required. Such an atmosphere is i.a. characterised by mutual respect, willingness to cooperate, the assumption of responsibility, trust and enthusiasm. Learning through benchmarking as envisaged here should comprise analysis and comparison, understanding strengths and weaknesses, identifying alternative policies, as well as implementation and adjustment (see also Paasi, 2012). Here, one can tie in with existing mutual learning programmes and activities of the EC (e.g. in the "PES to PES Dialogue" in the context of employment). It is decisive to create a mutual understanding, e.g. by defining weaknesses and room for improvement together.

[35] *For an expansion of the benchmarking processes for social affairs, comparable sets of data are required from all MS. We believe that the move of the EC towards generating "social data" is a first step into this direction.*

- **Fostering systemic "policy learning":**
  Mutual systemic policy learning to answer the question "*what does and does not work"* is at the heart of successful benchmarking. However, political will to do so is an essential success factor for policy learning: *"The main explaining variable appears to be the lack of political will: at the domestic level, this lack hinders a synchronisation of the European and national agendas while at the European level, the same lack stands in the way of further positive integration"*, Kröger clarifies (2006, page 1). Intermediary organisations may be helpful, as was reflected in the Territorial Employment Pacts in Austria.[36]
- **Benchmarking is a consensus-based and voluntary process:**
  *"Intergovernmental benchmarking relies on voluntary mechanisms of co- ordination, albeit backed up by various, 'softer', forms of 'enforcement' through peer review and even 'naming and shaming'"*, say Arrowsmith et al. (2004, page 321). Paasi, too, stated: *"The final goal of collective benchmarking is to induce voluntary policy changes at country level"* (Paasi, 2012, page 15). Voluntariness in the exchange of and reflection on policies is thus an essential success factor.
- **Sufficient resources should be allocated to benchmarking:**
  Benchmarking is a process requiring sufficient resource for data processing, the coordination of those involved as well as for ongoing adjustment and joint development. In view of conflicting interest (e.g. as regards the prioritisation of social policy goals) it is not easy to identify the best practice. Much rather, extensive discussions need to be planned for so that joint views can be generated. Moreover, the implementation of a benchmarking process is per se no guarantee that the results will be acted on and that added value will be created – in spite of the fact that the process comes with quite an investment in terms of time and money.

**Recommendation 2:**
**Benchmarking the causes, not the symptoms**

Referring to the EC guidelines, Arrowsmith et al. state that it is necessary to deal with the causes, and they use an example to explain this: *"For example, it is the situation in the labour market that should be the focus of attention, not the unemployment rate"* (Arrowsmith et al., 2004, page 317). The causes are important for the analysis and upon implementation in the MS, they should be in the focus. This is why the benchmarking topics proposed in this study are i.a. based on social policy challenges and the goals of social policies. For this reason, a more far-reaching investigation of the causes, a discussion, critical observation and exploration of the (societal and economic) conditions and developments should by all means be taken into account in the benchmarking processes (see also section 4.3 on poverty). In this context, the analysis of causes underlying differences in performance and the interpretation of results do not aim at competition but at highlighting the benefits of

[36] *http://partnershipbrokers.org/w/journal/ employment-social-inclusion-partnerships-in-europe*

improving the situation by cooperation. Support to these processes by third parties, i.e. "benchmarking institutions" which are as independent as possible, can be helpful when it comes to adding to national, interest-centred or system-specific p erspectives and constructs or forms of perception by bringing in various methods of statistical and/or heuristic root cause analysis in the sense of "generic benchmarking".

**Recommendation 3:**
**Benchmarking of processes and performance**

*"A fundamental criticism of the practice of benchmarking is that performance benchmarking rarely becomes process benchmarking, let alone strategic benchmarking"*, say Arrowsmith et al. (2004, page 321). The benchmarking areas, benchmarks and social indicators selected should therefore be subject to continuous monitoring and an ongoing identification of learning experiences in the MS. Implementation should be accompanied by studies extensively documenting social progress (see also below).

**Recommendation 4:**
**Supporting measures**

Supporting measures have to be devised for the benchmarking process, including e.g. evidence-based analyses on specific focal topics and causes (studies on the analysis of root causes for poverty in the EU regions etc.), policy area connections, effects and transferability or potential uses for models (such as the OECD tax benefit model, the Euromod microsimulation etc.). Moreover, measures to enhance the (social) policy dialogue are needed alongside the process of policy improvement, fostering the exchange between various organisational and governance levels and supporting the interaction of policies (cf. following section).

## 3.4. A Closer Look: Benchmarking, Benchlearning and Benchaction

Benchmarking as a method originates in business management, in the tradition of Frederick Taylor's scientific management. Even though emulating the successful methods and strategies of others and using them for orientation purposes are important for social and individual development, benchmarking has, according to modern management literature and practitioners, become an indispensable instrument to control quality and prices, production processes and human resources (motivation) as well as to define general performance by way of learning from best practices.[37]

[37] *Walgenbach and Hegele (2001) indicate that the successful introduction of benchmarking in Xerox through using production costs in Japanese corporations marked the beginning of the "benchmarking movement".*

As “New Public Management“ come to the fore in the past two decades, this idea was also introduced in public administration; however, the following differences between public and business administration need i.a. be borne in mind:[38]

- Public administration is subject to laws and political decision-making which have a bearing on change management, strategic decisions and priorities.
- Public administration is about the efficient distribution of existing resources and reconciling/handling “shifting, complex, conflicting goals” - unlike private businesses, which are driven by profit, market shares and survival on the market (Euske, 2004).
- Conflicting goals in terms of political, economic and social results determine actions in public administration, and in this context, specific “products” and results or effects (outcomes) cannot always be attributed to specific “production chains” or chains of events.
- The choice of indicators or ratios which can demonstrably be influenced by clearly defined actors is much more difficult in public administration than in the relatively well defined business context.

However, this does not mean that public administration and business management cannot learn from each other; after all, activities including planning, organisation, target setting and progress assessment are on the agenda in both the public and the private sectors. Private businesses and public organisations are faced with the insight that simple cause-and-effect chains have to be called into question in complex systems in general. Thus, it is the fundamental purpose of indicators to point to trends or provide information about the gap between targets set and achieved. Moreover, they also form a basis of deeper reflection on potential relations between influencing factors whilst including the actors involved.

Different types of benchmarking (e.g. internal benchmarking, industry- related benchmarking, competitor benchmarking) have emerged in the two sectors, with process-oriented benchmarking and related methods being suited to trigger promising learning processes in public administration because they are not about competitors but about the achievement of targets agreed upon together. Process-oriented benchmarking is characterised by the following stages (cf. Freytag und Hollensen, 2001):

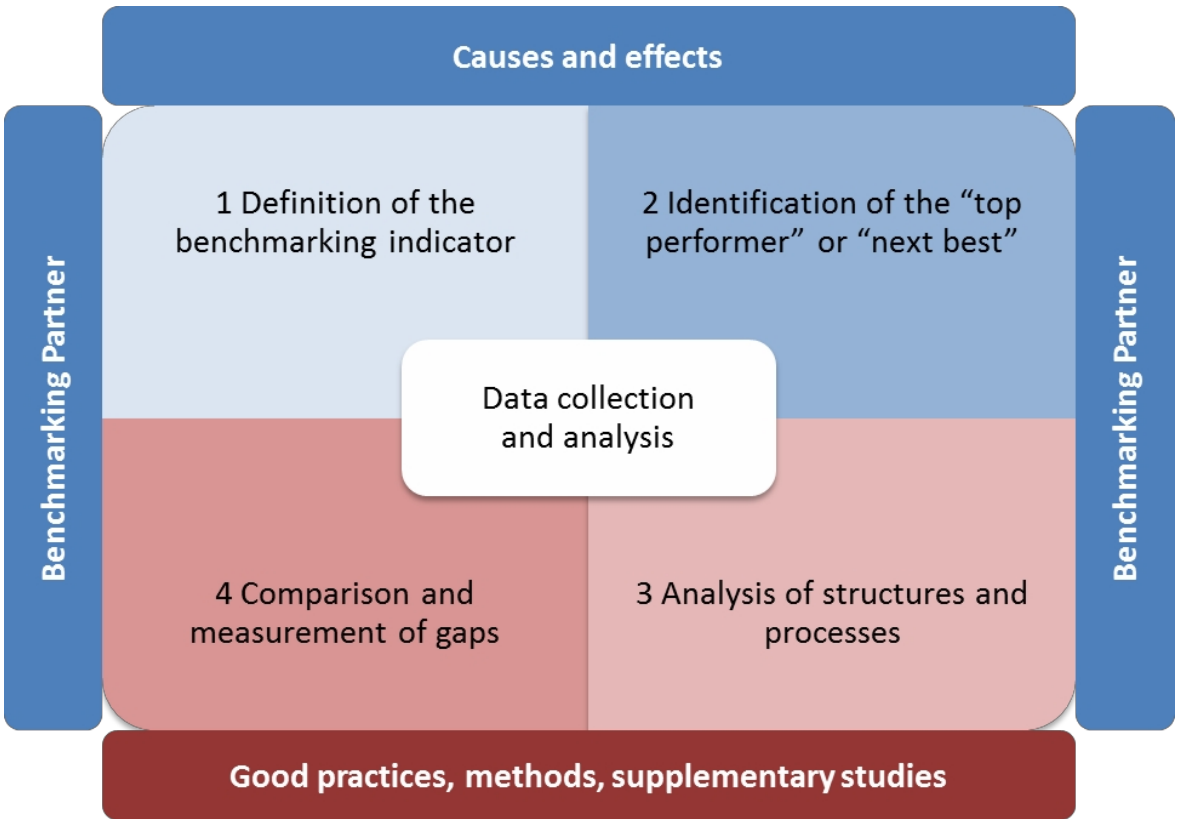
- Stage 1 is about the decision as to which functional areas should be assessed by means of evaluating key success factors and indicators.
- This is followed by the evaluation of the individual factors and the identification of “benchmarking partners“, i.e. comparable entities (which may e.g. also include countries or regions).

[38] *For further discussion of the differences in requirements and logics between public and business administration see i.a. Boyne, 2002.*

- After data collection, the entities with the best results have to be compared with the other entities and differences have to be identified. This technical- methodological stage is followed by what is actually the decisive stage of the process, which has lately also been referred to as “benchlearning“. During this stage, the partners exchange hypotheses and empirically grounded experiences (“good practices“) to see how they can learn from the “next best”, which capabilities and processes need be developed for this, and which measures are required to achieve this.
- Eventually, the process should end in “benchaction“, the stage during which changes and measures agreed upon are implemented and followed up.

Thus, in the context of social welfare measures, benchmarking has to aim at identifying the key success factors of “good practice” – in addition to defining as accurately as possible and collecting comparable data. This is done through case studies in which performance indicators are analysed in the respective (national) context and with a view to possible system-specific preconditions and effects. These case studies should serve as input for the “benchlearning dialogue” between internal and external benchmarking partners reflecting on the success factors and their transferability to other institutional and political contexts (Fig. 3).

**Fig. 3: The Benchmarking Process**



### 3.4.1. From Exchange of "Good Practices" to "Benchlearning"

Methods similar to the benchmarking process described above are not absolutely new in the EU context. The peer reviews focusing on poverty and social exclusion, old-age pension systems and healthcare as well as long-term care under the Open Method of Coordination for social protection and social welfare following the Treaty of Lisbon are probably the best known example. In the early 21st century, benchmarking saw its heyday as it was intended to drive a mutual learning process whilst respecting national differences; it was seen as a compromise reconciling the approach of further deepened integration and the logic of cooperation (De La Porte et al., 2001). The Mutual Learning Network of public employment services, where peer reviews and networking are also used to exchange "good practices" and learn from one another, is yet another case in point.[39] The Common Assessment Framework method, which emerged in the context of the "Europe 2020" strategy, should also be highlighted here. It is an indicator-based assessment system jointly developed by the Employment Committee, the Social Protection Committee and the EC. This analytical instrument is meant to drive evidence-based policymaking, assessing following and improving general and specific policy areas under the employment guidelines.[40]

These instruments form an important basis for the Establishment of benchmarking processes because they can lead to the reforms necessary for a mutual understanding of the respective systems (European Commission, 2015d). However, the ultimate goal of benchmarking processes has to be to achieve true social progress towards convergence within the EU and make it trackable. This is what the EMCO and the SPC explicitly point out when they propose qualitative methods of evaluation and monitoring as well as the analysis of challenges and best practices (Council of the European Union, 2010, page 17f.).

***Accompanying measures are required in the area of political dialogue on the one hand, and in supporting research activities on the other hand.***

In spite of similar vocabulary and terminology, it is by no means ensured that the bridge to "benchlearning" has already been built in social convergence. After all, the method is rooted in organisational development, i.e. the systematic support of systemic changes. It is an approach which cannot be transferred to the (social) policy areas of the EU-MS as it is

[39] *http://ec.europa.eu/social/main.jsp?catId=1100&langId=en?; http://www.pesboard.eu/EN/pesboard/Benchlearning/benchlearning_node.html*

[40] *http://ec.europa.eu/social/main.jsp?catId=115*

because learning takes place at different levels, from overall organisation to group and individual person. This is why highly variegated measures accompanying benchmarking processes have to be planned, and distinctions have to be drawn between i.a. strategic benchlearning (comparing and learning from strategic decisions), operational benchlearning (methods and processes) and performance-oriented benchlearning.

In this context, the benchmarking-related exchange processes linking countries or regions with a similar orientation should be supported, not those only focusing on comparison with the "best in class" but rather with reference to the "next best". Moreover, these processes also require related capabilities in the administrations and institutions ("capacity building") so that individual learning can actually take off. Here, care must be taken to strengthen capabilities which steer towards target achievement or towards moving closer to better players whilst keeping links to other regional or local challenges in mind.

### 3.4.2. Strengthening Benchmarking through (Social) Policy Dialogue and Supplementary Studies

It is necessary to not only consider the challenges and conflicting goals mentioned above within the policy area "convergence of employment and social policies" in and between the EU-MS, but also when benchmarking is transferred to the area of social convergence in the EU.

The same goes for those challenges and conflicting goals between and in respect of other policy areas, from competition to economic policies to EU enlargement and development. The Commission has also pointed this out: *"Benchmarking also has to be supplemented by economic analyses so that potential conflicting goals of policy areas can be considered and political impacts can be evaluated in depth"* (European Commission, 2015c, page 6).

Measures accompanying benchmarking must thus be looked for in the realm of political dialogue on the one hand and in supporting and accompanying research on the other. In view of the differences and gaps between social welfare systems within the EU it does not seem helpful to define standardised absolute targets in the context of benchmarking – as is the case in the "Europe 2020" strategy. Orientation towards reachable targets, e.g. catching up with the member state in the next higher rank, is probably more promising and helps prevent (pre-programmed) frustration. Benchmarking which is not merely geared to the fiscal effects of measures would be a first step towards consensus and approximation.

Accompanying benchmarking processes by commissioning comparative research would also be supportive. In this context, one could envisage the following:

- Regional comparisons and case studies on individual aspects of indicators: Which regional/local entities deviate from the national trends and what can we learn from this for the national or even the transnational level?

- Case studies regarding the relevance of individual indicators for steering purposes: How and through which instruments can one steer the achievement of targets set in a regional/local context? How can methods which are successfully used elsewhere be adjusted to the respective national circumstances?
- Studies on the impact of benchlearning, and primarily of benchaction processes in individual countries, with a focus on the actors and organisations involved as well as on the population as a whole: Are change processes and their impacts perceived? How can processes and impacts be communicated more effectively?

In respect of the aspect mentioned last, one also has to point out that benchmarking should not be reduced to a scrutiny of the administrative process in the narrow sense of the word but include relevant actors (see also previous sections). If it can be made clear to the social partners and civil society that political measures aiming at social convergence come with a positive tendency, benchmarking can generate a positive experience of integration.

Data and indicators for employment and social policy alone have provided little hope for this (ETUI, 2016). Therefore, it will be all the more important to drive development from mere "naming and shaming" towards true benchmarking processes in the field of social convergence.

The following chapter will present and discuss benchmarking in the key policy area of minimum income benefits. Deficits and problems coming with the implementation of purely quantitative measurements of target achievement will be identified. Moreover, a proposal is made for a potential analytical process to look into the issue of poverty, building on the benchmarking process on minimum income.

# 4. DISCUSSION OF KEY POLICY AREAS

As already mentioned, this study is informed by the targets and principles of social policies identified by the EC. Moreover, it is based on the social policy challenges considered by the studies team to be priorities. These are listed in the following overview:

- The study is based on the following *social policy targets*[41]: Labour market: the creation of well-functioning and fair labour markets; Social protection: prevention of and protection from social risks; Social welfare: creation of effective safety nets; social inclusion; solidarity and European cohesion; fostering social well-being and improving the citizens' standard of living; Education: investment into human resources. The EC's understanding of the notion "social" comprises activation, protection and resilience.
- In keeping with the European pillar of social rights, the study refers to the *following EC principles*: equal opportunities, access (to labour markets, education, social protection, resources etc.) and fair working conditions.
- The areas discussed tie in with the following social policy challenges: demographic change, rising unemployment, rising numbers of applicants and users of social welfare benefits (poverty), a growing divide between rich and poor (balancing the unequal distribution of prosperity), changes to the world of work (Work 4.0), increasing numbers of atypical work, the skills divide and globalisation.

Given this, social convergence in the area of social protection covers three essential targets of social policy:

- *Social protection* (monetary/non-monetary benefits to protect from risks) and social welfare (systems providing protection from risks);
- *Social inclusion* (unrestricted participation in societal life for all, with a focus on those who are most underprivileged); and
- *Social cohesion* among European regions (= solidarity among regions), individuals/population groups (= social equity, also including intergenerational solidarity, solidarity between genders etc.) and between representations of interests (= social dialogue), social well-being of populations at large.

[41] *The specific goals of social protection and social inclusion according to the SPC-Indicator Subgroup can be found in the Annex (see also European Commission, 2015b; 2013b).*

Moreover, the policy areas covered in the JAF[42] were looked into. These include the employment rate (policy area 1) and labour market policy (according to target groups; policy areas 2 to 10) as well as social inclusion (policy areas 11 and 12). Flexicurity and the quality of work, i.e. the two areas which were chosen by the EC for analysis, and the cross-cutting issue "social dialogue" primarily relate to labour market policy. The policy areas monitored in detail in 11 and 12 are the fight against poverty[43], social inclusion and anti-discrimination[44]. In each JAF policy area, progress in the implementation of the strategies is assessed using indicators. The list of indicators is developed by the bodies in charge (SPC, EMCO). The Council of the European Union proposed a number of indicators for policy areas 11 and 12 (see Council of the European Union, 2010, page 47f.). The SPC monitors and evaluates progress on the basis of these indicators (Social Protection Committee, 2016). The first stage considered for identifying suitable benchmarks is through an analysis in the EPM. However, it remains to be seen if a broad view of challenges and goals is enabled this way (see also section 4.3).

As already mentioned, the increased use of benchmarks is to be introduced in social policy as the EC seeks to drive structural reforms in the MS and contribute to upward policy convergence. The European Semester[45] was streamlined in October 2015 and this also led to more of a focus on employment and social affairs, amongst other things. The goal is to foster convergence by way of benchmarking and exchanging tried-and-tested practices (European Commission, 2015c). The streamlined European Semester also aimed at more "ownership" of the MS in respect of the recommended reforms and thus improved implementation (Vanhercke et al., 2015). The two benchmarking processes considered or implemented under the JAF shed light on policy performance in the labour market and social policy areas. The focus is on the efficiency and effectiveness of the systems (European Commission, 2015a). After all: *"Only effective social security systems can successfully master the challenge*

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*[42] In the JAF the performance of the MS in the implementation of the Employment Guidelines is analysed on the basis of agreed indicators. The twelve policy areas of the JAF are as follows: labour market participation; functioning of the labour market; active labour market policy; proper and employment-oriented social security systems; work-life balance; job creation; gender equality; improving skills supply and productivity, lifelong learning; improving education and training systems; wage setting mechanisms; preventing poverty; social inclusion and anti-discrimination.*

*[43] Preventing poverty through inclusive labour markets, adequate and sustainable social protection and access to high quality, affordable and sustainable services (Policy area 11); as well as Breaking the intergenerational transmission of poverty – tackling child poverty (Policy area 11a); Active inclusion – tackling poverty in working age (Policy area 11b); and Tackling poverty in old age (Policy area 11c).*

*[44] Social inclusion of groups at special risk and antidiscrimination (Policy area 12).*

*[45] Introduced in 2011, the European Semester covers three main areas where there is coordination: 1) structural reforms with a focus on growth and employment in keeping with the Europe 2020 Strategy; 2) fiscal policy to ensure the viability of public finances in keeping with the Stability and Growth Pact; and 3) avoiding excessive macro-economic imbalances.*

*of overcoming mass unemployment and growing social exclusion, with the ultimate goal of recovering from the crisis and boosting social resilience before the next asymmetric shocks hit"* (European Commission, 2015a, page 1). Even though the improvement of the efficiency and effectiveness of social welfare systems is arguably a desirable goal, benchmarking processes have so far headed in the wrong direction: If one looks at the root causes of social policy challenges (the increase in poverty and inequality), improved (efficient and effective) systems only contribute a small share to social convergence; economic conditions, the tax system (i.a. labour taxes), the distribution of capital and the pay situation (thinking of the "working poor") carry much more weight in this context. The goal of the European Semester (and thus of the benchmarking processes) is to rate policies in respect of the short- term and long-term effects on growth, employment and income distribution, social impacts and financial viability (European Commission, 2015a). Benchmarking looking at the efficiency and effectiveness of social welfare systems is neither considering the root causes – as was recommended in the previous chapter (Recommendation 2) – nor does it contribute significantly to achieving the goals of the European Semester.

Therefore, to be amenable to benchmarking in the area of social protection and social welfare under the JAF and contribute to renewed upward convergence, key policy areas should be chosen according to the following criteria:

- They should meet *social policy challenges* (combating poverty and balancing inequalities as their top priority);
- They should address *social policy objectives* (social protection, social inclusion and the promotion of social cohesion);
- They should cover the *policy areas of the JAF* (policy areas 11 and 12); and
- They should serve the *targets of the European Semester* (examining the impact on growth, employment and income distribution, social impacts and financial viability).

Considering these premises and the issue of "feasibility" (thanks to e.g. comparable data being available and the consent of the MS) 14 key policy areas which could be used for benchmarking were proposed in the first phase. The list of proposed key policy areas[46] was broken down into two groups:

- The first group comprised five benchmarking proposals for cross-cutting issues (precarious work, social mobility, social equity, integrated care, and the tax system: reducing the burden of labour costs), which were chosen because they are special challenges to social policymaking.[47]

[46] *The focus was on the "security"-related part of the concept. Unemployment benefits as well as the areas "flexicurity", "quality of work" and "Social Dialogue" were not covered in view of the fact that the discussion in the EU-MS has already been launched or advanced.*

[47] *Further key policy areas up for discussion concerned active ageing and health inequalities.*

- The second group was based on the target group approach (significant target groups for social protection and social welfare, i.e. persons at risk of poverty, pensioners and women); it comprised three important key policy areas of social welfare (minimum income, old-age pensions and gender equity).[48]

After a discussion with the BMASK and building on the recommendations of the project advisory board for shortlisting issues, the area of minimum income was selected for in-depth analysis. It is an issue addressing fundamental challenges to social protection and social inclusion:

- the *fight against poverty* (an EU-2020 target; see also section 4.3);
- the *reduction of inequalities*; and
- the trend towards an increase in the number of *working poor* (i.e. those who are gainfully employed but do not earn sufficient means of subsistence).

However, as is shown in section 4.2., there is a need for a change of perspective in benchmarking when used in the social dimension. Benchmarking in the key policy areas only has symbolic power for a social Europe and could contribute to upward social convergence if the root causes in central problematic areas are identified and tackled. Combating poverty is the overarching target in the field of social policy for 2020 so that a discussion about a potential process to analyse poverty is launched (section 4.3) in addition to the key policy area of minimum income (section 4.2).

## 4.1. Identification, Analysis and Discussion of Relevant Reference Values

***The selection of reference values in benchmarking processes is preceded by answers to the questions "Why do we measure?" – "What do we measure?" and "How do we measure?"***

As stated above, the selection of reference values in benchmarking processes is preceded by answers to the questions "Why do we measure?" – "What do we measure?" and "How do we measure?" Results obtained so far are summarized below:

[48] *Further key policy areas up for discussion which were not included in view of the scope of the commission concerned the social participation of people with disabilities and of youth as well as the topics of migration and family.*

- *Why do we measure?*
  Benchmarking in the social dimension is discussed as a method to better analyse and reflect on (benchmark) social progress in the MS in a central area so as to derive steps for improved policy performance and to be able to evaluate performance on an ongoing basis (the study focuses on benchlearning and benchaction; see also Recommendation 3 in section 3.3. regarding the measurement of process and performance).
- *What do we measure?*
  In the benchmarking processes, social progress is to be measured in key policy areas. A focus on root causes (Recommendation 2 in section 3.3) including the most important drivers of social change in the policy area has been suggested (see Chapter 3 "Drivers for social change"): in employment policy, these would e.g. relate to globalisation and technological progress (i.a. ICT), in social welfare and social protection, it would i.a. be demographic change and the uneven distribution of income and property.
- *How do we measure?*
  Recommendations 1 and 4 in section 3.3 suggest a focus on benchlearning and benchaction which ensure that social progress in the MS is not only based on the measurement of reference values but is also reflected upon on an ongoing basis through a structured exchange of information on systems, practical experiences and the performance of the MS in the implementation of their policies.

In the preparation of reference values, the following fundamental decisions were also taken:

- The benchmarking domains and social indicators were chosen along the lines of the *3-stage structure* discussed in EMCO even though this can only represent a small and incomplete portion of reality and interpretations may easily be misdirected (see section 4.3). Nevertheless, the discussion
  - identifies special challenges in the key policy area and outcome indicators (Stage 1; "*key high level outcome indicators"*);
  - presents a selection of performance indicators in the key policy area (Stage 2; *"key performance indicators"*); and
  - discusses policy levers and appurtenant indicators (Stage 3; *"key policy levers"*).
- *Input and Outcome Orientation*: The study differs from the "Social Progress Index", which was only launched in the spring of 2016, in that it suggests input and outcome indicators. This way systemic and impact-related information can be obtained and taken into account. We concur with Becker (2015) and recommend a focus on the impact of state systems and measures[49] to better analyse the impact of benefits and to facilitate the formulation of policy recommendations.

[49] *The focus was on areas which are within the remit of the BMASK.*

- *Economic and social indicators*: We recommend to examine both economic and social indicators.[50] After all, the interaction between social and economic indicators can be used as an instrument to keep states from cutting spending *"because it is the easiest way to bring budgets in line in the short run, without understanding the scarring implications over time"* (European Commission, 2015a, page 3).

Further recommendations for reference values have been summarised below:

- *"Weaknesses" of indicators or leeway for incomplete and thus partly misguided interpretations of indicators:* As called for by many (including the EC itself), existing labour market and social indicators need further development to minimise weak points. The Austrian Federal Chamber of Labour i.a. suggests to replace the labour force participation rate,[51] which is not very informative, by more meaningful indicators. Two central standard indicators used to describe the reality of the labour market, i.e. the employment and the unemployment rate, both have methodological weaknesses: Due to the underlying collection method, they do not sufficiently map out problems existing on the labour market and the social and societal trends linked with these because persons are already considered "gainfully employed" if they have worked for one hour against pay during a reference week. Thus, "mini jobs" are included in the employment rate and unemployment is not fully covered. The Chamber of Labour thus suggests that based on the labour force concept, the employment rate should be supplemented by "adjusted" employment rates which include the extent of employment and the rate at which a standard of living is ensured: *"To achieve the goal of better monitoring, both the traditional 'employment rate' and an 'employment rate excluding mini jobs' – i.e. adjusted for persons who are gainfully employed for less than 12 hours of work per reference week* (also differentiating according to gender and age groups) should be shown" (AK Europe, 2013, page 11).
- *Basis of comparison: "Identifying the next best"*: When deciding for the basis of comparison, the relative development of individual countries should be considered in the best possible way, i.e. different levels of departure should be taken into account (context dependency). Common comparisons such as "the top three countries", benchmarking on the basis of the EU average or the like may be misdirected due to the fact that contexts might differ and the basis of comparison might thus diverge, too. Clusters of states such as the MS with Bismarck's insurance system would provide a

[50] *The "Social Progress Index" of GD Regio/EC only contains social (and environmental) indicators, excluding GDP or income based reference values for direct measurement of social progress (see e.g. European Commission, 2016c, page 3).*

[51] *Gainfully employed and unemployed persons are counted as equivalent here even though they differ significantly in terms of their economic status.*

better context (in this case, similar historical development, related system characteristics etc.); it would make sense to only compare MS within the same cluster and depending on the topic, different clusters could be formed. As already explained in section 3.4, we would also recommend a focus on “the next best” not “the good ones and the bad ones”, as described by EMCO (Stage 2; “Key performance indicators“). Merely “running after the best in class” distracts from the actual root causes of differences between MS. In this context, it also has to be stated that in benchmarking care must be taken not to prefer “more easily integrated target groups” over groups with special needs in terms of placement and re-integration because integration measures for the latter groups are usually more comprehensive, time-consuming, expensive and complex and statistics cannot be “improved” quickly here.

## 4.2. Minimum Income

***In the context of benchmarking minimum income, we also suggest a comprehensive exploration of the root causes and framework conditions of poverty.***

Alleviating poverty is one of the main objectives of the EU 2020 Strategy: As already mentioned, the Heads of Governments and States of the EU undertook to reduce the number of people at the risk of poverty and/or social exclusion by at least 20 million by 2020. Combating poverty has been translated into national targets (European Commission, 2011; BMASK, 2014). The OECD also considers those who are most underprivileged to be an essential group for political strategies: *“Maintaining and strengthening support for the most vulnerable groups must remain a crucial part of any strategy for an economic and social recovery”* (OECD, 2014, page 12). In all EU-MS various types of minimum income schemes (e.g. social assistance, minimum income, family benefits, pension and unemployment benefits etc.) form a crucial safety net.

Grounded in combating and preventing poverty, social policy goals of minimum income schemes have existed in an area of tension between labour market re- integration and work incentives in the past few years: The trend of linking subsistence support with labour market integration (“workfare not welfare“) has come to the fore. The EC considers active integration to be a key factor to translating into reality and guaranteeing the EU-wide objective of alleviating poverty and to ensure that economic growth and employment are shared equitably (European Commission, 2011, page 15). However, more recent analyses have shown that the working-age population in the MS is increasingly affected by poverty:

*"In particular, the poverty risk of older people fell from 20.3% to 14.6% between 2006 and 2013, and is now lower than the poverty risk of the working-age population (aged 20-64), or of prime-age adults (aged 30-54)",* says the EC (European Commission, 2016h, page 7). As the risk of poverty of working-age persons can only marginally be influenced by activation measures under a minimum income regime, these will not be overly successful in making the "alleviation of poverty" goal materialise and should thus be questioned critically.

In view of the increase in the number of working-age persons affected by poverty and to clearly demarcate benefits for pensioners and persons with disabilities, the benchmarking proposal of the EC regarding minimum income schemes, which dates from November 2016, focuses on working-age persons (20-64 years of age). The process aims at exploring the "efficiency and effectiveness of social systems" in respect of this specific focus*: "Indeed, effective and efficient minimum income schemes protect against poverty and social exclusion, they contribute to safeguarding investments in human capital, and also play a role in economic stabilisation and resilience"* (European Commission, 2016h, page 2). As this process only sheds light on a segment[52], this limitation must be remembered in all steps to follow. Moreover, the EC document does not analyse the root causes nor does it go beyond the minimum income scheme for this specific segment of the system. It is therefore highly questionable whether this benchmarking process is suited to get to the root of things (see also below). The limited perspective does not sufficiently cover the problem of poverty in the EU (and the EU-2020 target) so that we propose a further, more comprehensive process to investigate the issue of poverty (see section 4.3).

If one is aware of the limitations, one can approximate progress in the EU-MS in the context of minimum income schemes on the basis of selected indicators in various domains (e.g. prevention of poverty). The following general sources of benchmarks and indicators could be used: Eurostat, OECD Benefits and Wages: Statistics, Tax and Benefit Systems: OECD Indicators, OECD publications (e.g. Immervoll, 2010) and EUROMOD publications (e.g. Figari et al., 2010). A certain degree of comparison with so-called "good performers" is also possible, restricted only by the fact that performance significantly depends on other factors such as the general economic situation and the efficiency and effectiveness of upstream social welfare systems (such as unemployment benefits) as well as other context-related conditions. It is therefore hard to filter out the impact of minimum income schemes. Meanwhile, the EC has presented a discussion paper on benchmarking minimum income schemes which follows a "3- stage structure" and serves as a basis for the following discussion:

[52] *The segment of poverty-alleviating minimum income benefits of the MS for the working- age population capable of working.*

**Stage 1**:

- **Special challenges** in the area of minimum income schemes identified by the EC comprise the increase in the number of working-age benefit recipients and child poverty. However, more social policy challenges exist in the interaction between individual social schemes (e.g. upstream benefits; see above) and in the facilitation of access to benefits or the prevention of non-take-up (the act of foregoing benefits one would be entitled to due to stigmatisation, lack of information or administrative barriers).[53]
- **Outcome indicators** proposed as significant for benchmarking include the at-risk-of-poverty and exclusion rate[54] (AROPE), the at-risk-of-poverty rate[55](AROP), the material deprivation rate and the share of persons with no or very little intensity of work in households (the share of mini jobs; see section 4.3 regarding the discussion on AROPE). To better map out the risk of poverty among people of working age, it is necessary to add to these indicators the percentage of "working poor" (the percentage of people at risk of poverty among persons of working age has by now risen above the rate among older persons, i.e. those aged 65+; see above). The "in-work at risk of poverty rate" would be a potential indicator here. Moreover, the long-term unemployment rate (among recipients of minimum income benefits) and the at-risk-of-poverty rate for persons in jobless households are suggested as a way of providing deeper insights.

**Stage 2:**

- **Performance indicators** considered by the EC include the impact of taxes and social transfers on poverty, the at-risk-of-poverty rate for persons in jobless households, the poverty gap and the coverage rate of benefits. To identify the impact, we additionally recommend a comparison of AROP with the at-risk-of-poverty rate prior to (certain) social transfer benefits or prior to tax allowances or tax credits etc. on the taxation side, calculated using EU-SILC or EUROMOD (regarding taxes and social security contributions), a rate which can be generated with a high degree of accuracy. We also suggest looking at the rate of minimum income benefits to examine access to benefits or coverage. Minimum income benefit rates can be analysed in relation to total population or in relation to the number of persons at risk of poverty and exclusion. In relation to population figures, the development of rates per MS over time is a good indicator whereas in relation to those at risk of poverty, a cross-sectional comparison across MS

[53] *E.g. Fuchs, 2009.*

[54] *The rate reflects the percentage of persons at risk of poverty and exclusion in the total population.*

[55] *The at-risk-of-poverty rate is the percentage of persons with an equivalised disposable income (including social transfer benefits) below the poverty threshold, which is at 60% of the national equivalised disposable median income (after social transfer benefits) (http:// ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:At-risk-of-poverty_rate/de).*

can be useful. As regards the coverage rate in relation to those at risk of poverty, one must not forget that this is dependent on two factors: one is legislation on entitlement (which segment of those at risk of poverty is entitled to receive the benefit?) and the second factor is actual take-up by those who are in principle entitled (in this respect, see also Stage 3). The take-up rate could be a separate, albeit non- standardised indicator enabling a comparison between MS and/or individual types of benefits as regards access. Further possible indicators regarding the extent of benefits could include spending on minimum income benefits in % of GDP (or alternatively, public spending on minimum income benefits per inhabitant in purchasing parity standard (PPS), an indicator used by the ETUI in their Working Europe 2015 benchmarking exercise; ETUI, 2016) or a comparison of the benefit amounts (upper limits) in relation to the at-risk-of-poverty threshold (e.g. the OECD/EC indicator defined as the net income of minimum income recipients in % of the at-risk-of-poverty threshold for three types of jobless households). Again, as is generally the case, contexts must be considered in the interpretation of values.

- To identify **"Best Performers"** one may basically compare the input and outcome indicators of individual EU-MS. However, many outcome indicators depend strongly on the economic situation and the existence and design of upstream social welfare benefits so that the impact of minimum income benefits is hard to identify and not always sufficiently clear (see above). A balanced combination of the individual input parameters, the effectiveness and interaction can be carefully examined on the basis of outcome indicators, seems to be more promising.

**Stage 3:**

- The EC defines as **political levers** the design of minimum benefit schemes and activation measures. The critical note here is that the contributions to the efficiency and effectiveness of the subsystem (e.g. the contribution of activation measures; see below) is hard to measure and, given the fact that systems are designed differently, they are also hard to compare internationally. Moreover, the interaction of various parameters has to be borne in mind as a matter of principle when evaluating the mechanisms which determine the preconditions for entitlement and access to benefits as well as their effectiveness. Such central parameters include the persons entitled or the definition of shared households in need of benefits. Access to minimum income benefits or the reduction of non-take-up rates essentially depend i.a. on the rules for tax allowances and the possibility to (temporarily) keep assets (which cannot be readily liquidated), the (non) introduction or design of potential recourse, the existence of fast-lane proceedings or the transparency of scheme design and accessibility of information. Avoiding poverty traps in the form of high marginal tax rates (which can be mitigated through well-balanced tax allowances on income from work) is important for the design of benefit schemes.

Benchmarking in respect of minimum income schemes as proposed by the EC is recommended with limitations, considering the following problems:

- Benchmarking only concerns one segment of the MS social welfare systems and should therefore be viewed with a critical eye in general:
  - A focus on minimum income schemes only produces limited findings (e.g. the interaction of economic situation, upstream social welfare benefits etc. is not covered).
  - The contribution to the EU-2020 target of alleviating poverty can only be expected in a limited extent (and findings will not be sufficiently sound if they are exclusively based on analyses of minimum income schemes in the MS).
- Contributions to the efficiency and effectiveness of the subsystem, e.g. in respect of activation benefits, will be difficult to measure.
- Due to the high degree of diversity in the design of the minimum income schemes of the MS, comparison will only be possible to a limited extent.
- In view of uncertainties regarding causalities, e.g. between activation measures and poverty alleviation, impacts would have to be documented by far-reaching additional analyses, such as the evaluation of individual measures – the buzzword here is evidence-based policymaking.

Apart from taking a critical stance in respect of the question as to what is measured in the above benchmarking process, the how is also called into question: the present “3-stage structure” focuses on quantitative reference values. As already said, we would recommend a benchmarking process enabling a structured exchange of and reflection on practical experiences and the performance of the MS in the implementation of their policies (an emphasis on benchlearning and benchaction).

Hence, we propose to add a reflection process on poverty to the benchmarking exercise in respect of the minimum income schemes of the MS; it would be an attempt at an approximation to the root causes of poverty in the EU and at shedding light on framework conditions and problems (see section 4.3).

## 4.3. Supplementing the Minimum Income Benchmarking Process: Discussion of and Suggestions for an Analysis of Poverty

***A process dealing with the issue of poverty leads to a change of perspective: from the segment of minimum income to a more holistic picture of a central challenge in the EU, the fight against poverty and social exclusion.***

This section provides a brief overview of a potential process to analyse poverty which should contain suggestions for discussions in the EMCO/SPC. The topic was chosen because:

- *it ties in with ongoing discussions* in the SPC ("Benchmarking in the area of minimum income"; European Commission, 2016h) and in the study (section 4.2 on minimum income schemes); and
- it should contribute to the *main objective of the EU-2020 Strategy.*

A potential analytical process dealing with the issue of poverty leads to a change of perspective: from a segment (i.e. minimum income schemes in the EU) to a more holistic picture of a central challenge in the EU, the fight against poverty. Thus, the root causes of poverty and the framework in which it develops come to the fore (Recommendation 2 in section 3.3). However, a direct connection with a central problem also comes with significant drawbacks: In such a process, numerous policy areas (as well as system segments and structures) are affected and hence, numerous actors have to be brought on board. Apart from the fact that such a process is difficult to implement, the impact of individual inputs (singular benefits of the MS to combat poverty, such as minimum income schemes) are hard to measure. This begs the question whether poverty, being a cross-cutting issue, is suited for a benchmarking process at all due to its very nature.

Nevertheless we will try to interlink the two benchmarking processes discussed in the study, i.e.:

- the "ideal" benchmarking process described in section 3.4; and
- the "EMCO/SPC benchmarking process" proposed by the EC in respect of unemployment benefits and minimum income schemes of the MS.

As stated in section 4.1., the **process of benchmarking** has to be clarified first. This includes consensus on the questions "*what we measure*", "*why we measure*" and "*how we measure*". The involvement of important stakeholders has to be guaranteed from the beginning and

the roles and tasks of the institutions concerned have to be agreed on (see also section 3.3. regarding voluntary participation).

The **"status quo"** will only be determined in the second stage: a leading, albeit often criticised indicator to identify the point of departure regarding "poverty in the EU" is the at-risk-of-poverty and exclusion rate (AROPE). Even though this indicator is generally accepted and used in the EU, it does not map out the reality of poverty in its entirety. It is a relative indicator which e.g. depends on the distribution of income in the total population. To give "*the broadest possible view of the situation"*, Austria uses 21 national integration indicators (BMASK, 2015, page 2). Within the EU the indicator is also controversial: "*Albeit comprehensive, AROPE has a number of weaknesses which need to be made explicit",* says an EC report compiling the outcomes of 20 projects under the 7th EU Framework Programme for Research, Technological Development and Demonstration Activities. Limitations have been identified to include "insufficient policy relevance", the concealment of differences between regions, neglecting the situation of specific groups and "failure to consider dynamic mechanisms, contexts and certain risk factors" (Note: Authors' paraphrase; European Commission, 2016g, page 17). Hence, it is suggested that the indicator be supplemented. From the point of view of the Austrian Federal Chamber of Labour the gaps and qualitative defects in the existing sets of labour-market and social indicators ought to be made up for gradually so that eventually, it will be possible to describe problems in such a way as to come closer to (social) realities and at the same time to open up clear implications for policymaking.[56] As measurements based on the baseline value provide incomplete information, more far-reaching analyses should be made to help minimise the defects (e.g. regional analyses; see accompanying measures). Limitations must also be made clear and they have to be pointed to continuously: "*If it seems impossible to reach a consensus in measuring poverty, it is at least important to be aware of the limitations of the existing poverty measurement systems"* (European Commission, 2016g, page 15).

After taking stock of the current situation, it is suggested that the factors impacting poverty in the EU and the MS be analysed (**root cause analysis**). It is recommended to get to the roots of the problem together with relevant stakeholders: discussions, reflection and extensive examinations should bring together the ministries in charge, the EU institutions, the MS, the social partners, NGOs (social services, welfare provider organisations etc.) and persons concerned. Participatory methods which could be used in this context include consultations and events as well as participatory research. As mentioned above, numerous policy areas need to be considered: a contextual analysis should shed light on economic

[56] *Information received from the Austrian Federal Chamber of Labour (Adi Buxbaum) on 3 November 2016.*

policies (e.g. economic performance) as well as labour market policy (e.g. working poor), fiscal policies (e.g. systems of taxation) and social policies (e.g. social welfare systems).

However, root causes may differ from region to region in the EU so that analyses of the **framework conditions** of poverty are suggested: Apart from the EU-wide "poverty causes" such as unemployment, i.a. due to low educational levels and a lack of jobs, there are context specific variances (e.g. the percentages of working poor rise at different rates in different MS; see section 4.1.3). If, for pragmatic reasons, a focus has to be put on "EU-wide causes of poverty" in the subsequent benchmarking process, there is a need to point out explicitly that *context-related factors* are not included. This way, one can avoid misdirected subsequent steps (derived measures, policy recommendations etc.). Additional investigations of specific groups of states (cluster analyses, e.g. covering MS where Bismarck's insurance system is in place) may provide deeper insights. To include the diversity of the subnational level at least in part (see also Chapter 3), studies about further factors, such as "urban/rural" or "flourishing economy/disadvantaged region", could be considered. The EC should ensure or commission the coordination of the joint review of the root causes and framework conditions. It is not recommended to transfer this central responsibility to individual MS. However, the MS should be accountable for the respective country-specific analyses.

After the status quo, the root causes and framework conditions in the EU and in the individual MS/regions have been reflected upon jointly, benchmarking starts, using the **common European goal** (here, it is the "EU-2020 Target"). To measure social progress or the degree of achieving the target of *reducing the number of persons affected by or at risk of poverty and social exclusion by at least 20 million*, indicators such as AROPE (see above) are used. However, these indicators cannot map the issue of poverty in a comprehensive way. The measurements made by Statistik Austria in its report published in 2013 was based on two further indicators, i.e. financial deprivation according to the national definition[57] and manifest poverty[58] (Statistik Austria, 2013; see section 4.2). It must be clear for all those involved that there is consensus as to the use of indicators and that these come with opportunities and limitations. Indicators only represent what they measure, i.e. to avoid misdirected interpretations, expertise in dealing with data is required (see discussion about the unemployment and employment rates in section 4.1).

Based on the clarification of EU-wide, regional or cause-specific analyses, the **special challenges** in the MS and the EU as a whole need to be identified in cooperation with the actors (Stage 1 of the "3-Stage Structure" discussed in the EMCO). From our point of view,

[57] *Based on seven questions for the affordability of basic needs, i.e. clothing, food, consultation of doctors, keeping the home warm, inviting friends, unexpected expenditure and making regular payments in a timely manner.*

[58] *Defined as the overlap of risk of poverty and financial deprivation.*

the EU-wide challenges of poverty primarily have to do with the reduction of inequalities and the fight against poverty (see section 3.1). These challenges can mainly be found in the policy areas of fiscal policy (taxes and spending), economic policy (benefits provided by the state to promote the economy, e.g. investments into business), social policy (social welfare benefits and social investments), active and activating labour market policies (labour market policy measures) and educational policy (benefits provided by the state to promote education, i.e. related investments).

Once the challenges have been jointly identified, the next stage is to reach consensus about **essential outcome indicators**. These are based on the challenges and thus not only include AROPE, AROP, the rate of material deprivation and the indicator for the percentage of persons living in households with no or very low gainful work intensity – as described in the EC benchmarking discussion paper in respect of minimum income schemes and identified for JAF Policy Area 11, but also indicators from other policy areas named above. Indicators to be discussed are the Gini coefficient – which is controversial because it only focuses on purely monetary inequalities – and the S80/S20 income quintile ratio, to name but a few. Insights of the *Stiglitz Commission* in respect of measuring economic performance and social progress may also be considered. Moreover, data from areas which are not monetary and material should be included in the analysis, e.g. those relating to subjective well-being and quality of life (from the EU-SILC[59] or – even more recommendable due to the longer timeline and greater scope – from the ESS/European Social Survey).

Subsequently, a **selection of performance indicators** (and impact drivers) can be made. The performance indicators listed in the JAF (e.g. the effect which taxes and social transfer benefits have on poverty, the poverty gap and manifest poverty) will again only reflect a small segment. After all, policy areas which go beyond minimum income schemes but impact poverty and the activities pursued by the MS in view of challenges in wage policy, economic policy etc. are not covered by the indicators of the JAF. As Friends of Europe confirms: *"Minimum income protection systems should be assessed with reference to the economic development of each EU country, with the current 'reference budget' methodology a promising tool for developing social benefits benchmarks. On that basis, 'open coordination' can be a way for national governments to learn from each other and improve the effectiveness and efficiency of minimum income protection"* (Friends of Europe, 2015, page 34). Further learning methods (benchlearning) have to be applied in the context of poverty because connections between input and outcome are very difficult to measure. To be able to better understand further policy areas, indicators of the European Semester have to be further developed (e.g. the JAF policy area wage setting mechanisms) or indicators used in other analyses (such as the "Social Justice Index" of the Bertelsmann Foundation; Schraad-

[59] *European Commission, 2012b.*

Tischler and Schiller, 2016). Indicators for the development of income from wages and capital, collective bargaining systems (e.g. minimum wages) and public social welfare spending per inhabitant in purchasing power standard (PPS) would be options in this context.

For the next step, "**determining the best performers**",[60] we again recommend not to focus on the "good and the bad" as described by EMCO (Stage 2; "key performance indicators") but on the "next best". This would help avoid merely running after the "best in class" (see section 3.4.) because the reasons why poverty and exclusion exist in MS diverge (see above). As mentioned several times, alongside comparison and measuring of differences, an in-depth benchmarking process requires joint reflection and a **detailed analysis of structures and processes** (Stage 2 in section 3.4). Contextualisation in the interpretation of indicators is extremely important – i.a. because of different points of departure in international comparisons (see section 4.1) ("contextualised benchmarking"): "A *'system-wide analysis' is required for proper international benchmarking*", according to the United Nations (2010, page 19).

Following the EMCO process the "**political levers**" have to be defined now. According to the EC indicators must in particular fulfil two requirements: "*First, they need to closely relate to the policy levers, such that they can lead to actual and meaningful policy implications. Second, there needs to be robust evidence and enough consensus that they contribute significantly to higher level objectives such as jobs, growth, competitiveness, social inclusion and fairness or financial stability*." (European Commission, 2015c, page 6). In the context of benchmarking regarding poverty the political levers (Stage 3; "*key policy levers*") are in particular found in the dimension and design of social, labour market and business investments. In view of the enormous scope of the issue, the indicators do not fulfil the first requirement (close connection to the political levers) any more. The second requirement is yet another challenge. Apart from EU-wide levers, MS-specific problems have to be considered because specific target groups such as young persons at risk of exclusion, older persons or persons with disabilities are affected by poverty and exclusion to different extents in different MS. Hence, reflection on country-specific levers will be required.

Thus, it has surfaced several times that purely quantitative benchmarking cannot cover and capture the many dimensions of poverty in the MS – just as is the case in benchmarking regarding minimum income schemes. Hence, benchlearning, i.e. the exchange of experiences and practices regarding the alleviation of poverty among MS which cover a variety of policy areas, should be strengthened. The MS are called upon to react: "good practice" examples in the fight against poverty have to be identified and studies, e.g. on

[60] *For general information, see section 4.1.*

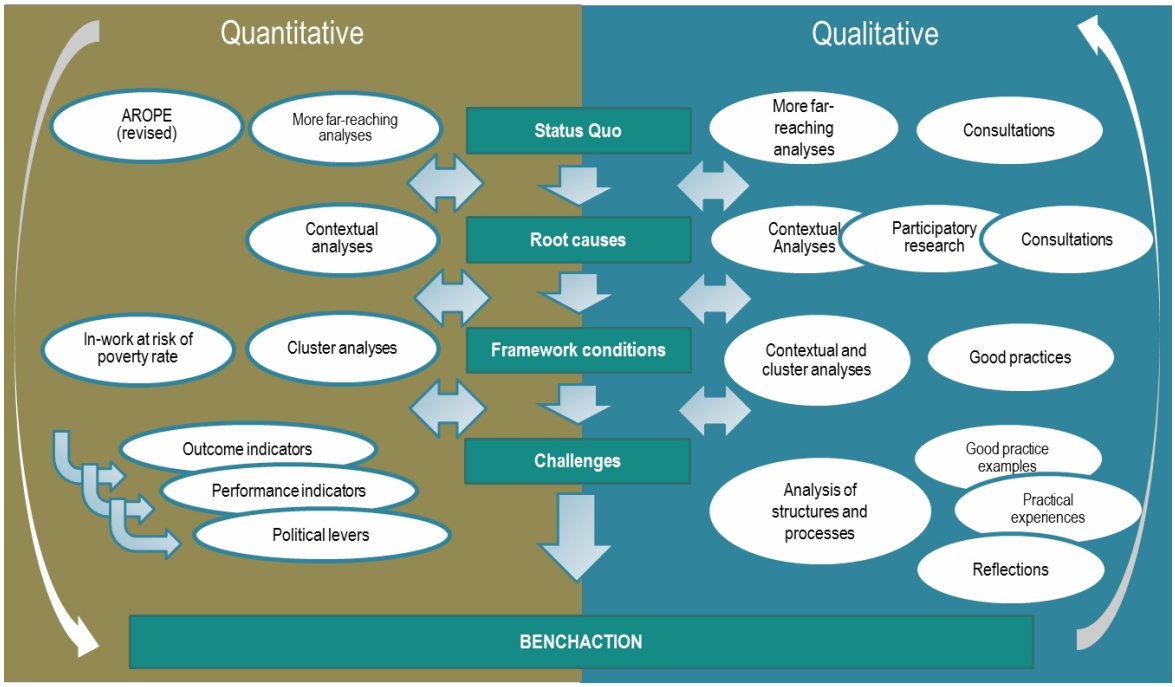
evidence-based examples, have to be carried out. The EC is also an important player in the context of qualitative benchmarking: Technical assistance is required in respect of the "*effectiveness of alternative social policy interventions, including social experimentation"*, as Friends of Europe (2015, page 37) suggests.

So far, only the very first steps have been taken in the comprehensive benchmarking process: Ongoing reflection on benchmarks, the steps taken by the organisations concerned to achieve the goals (**benchaction**) and regular reviews are now needed (see Fig. 4). "*The European Commission and the European Parliament should confirm their joint commitment to the Union's basic social goals and support a comprehensive rolling review of the performance of national social policies and especially inequalities over the life cycle*", Friends of Europe (2015, page 36) says in this context. Benchmarking is a process requiring an enormous amount of resources. However, eventually mutual learning among MS in the course of benchmarking processes can contribute to an improvement of social policies: "*This review would aim to help national authorities to improve the operational performance of their own social schemes and ensure that resources are allocated in the most balanced way possible in relation to different goals by drawing on the experience of other member states which would include 'learning from failure'*", says Friends of Europe (2015, page 36).

As mentioned earlier on, benchmarking in respect of poverty does not deal with the individual performance of the MS. Due to the fact that it is a cross- cutting issue numerous policy areas need to be included. No conclusions regarding individual MS performance can be drawn from this. This is why this process is only suggested as an extension of benchmarking in respect of minimum income systems. In the event of combined implementation (i.e. benchmarking in respect of minimum income systems and complementary analysis regarding poverty) the segment of social welfare systems in the MS is put into a stronger overall context. The European Political Strategy Centre confirms this: "*It will be fundamental for policymakers to place social benchmarks in a coherent framework, such as the European Semester, and look at them not in isolation but holistic policy concepts, such as upward convergence or social resilience"* (European Commission, 2015a, page 3). The advantages of this approach are clear:

- Findings can be expected about the interaction between economic situation and upstream/downstream social welfare benefits;
- Insights based on analyses in the framework of the European Semester (at present based on primarily economic indicators; see Chapter 3) can be complemented by insights from the benchmarking process; and
- Contributions to achieving the EU-2020 target of alleviating poverty can be analysed in a more extensive way.

**Fig. 4: Overview of a Potential Analytical Process**




As already mentioned, many stakeholders have to be brought on board as numerous policy areas (as well as subsystems and structures) are concerned. The weaknesses of the benchmarking process regarding minimum income schemes shown in section 4.2 (problems of measuring and comparison) cannot be minimised by an additional process of poverty analysis. On the contrary: Many new limitations (e.g. in the context of identifying causes and effect) are expected to arise from the investigation of the cross-sectional issue of poverty. More far-reaching analyses and in particular a structured exchange of information and reflection on systems, practical experiences and performance of MS as they implement their policies would be required (benchlearning and benchaction).

Nonetheless, the central question which arises is if benchmarking is the proper method to contribute to the alleviation of poverty: *Can the increase in the number of the poorest in the European population and the growing gap between rich and poor indeed be stopped by continuing to use existing policies in which benchmarking is used as a method?*

# 5. CONCLUSION

***The central question which arises is whether benchmarking is the proper method to contribute to alleviating poverty.***

The EU is characterised by a growing gap between rich and poor: "*Cohesion across the EU has made no progress (…). The better off social strata benefit most from rather weak growth overall"*, we learn from Dauderstädt and Keltek (2016, page 2). The European Political Strategy Centre has likewise stated: *"Worryingly, across OECD countries – despite some variation – the top 1% of households has gotten richer (in terms of real income) while the bottom 40% has become poorer, exacerbating the inequality gap"* (European Commission, 2015a, page 4). In view of this alarming trend, the EU should reconsider the direction it is heading in. Strengthening the social dimension and consultation through the European Pillar of Social Rights are important steps for a Europe viable in the future; however, they can contribute little to a more socially equitable Europe alone. With this in mind, benchmarking individual benefits available in the MS, such as minimum income schemes, may therefore help improve the effectiveness and efficiency of social welfare systems but the process in itself will not be able to stop rising poverty within the population of Europe. "*What is clear above all else is that the current focus on austerity and deregulation is failing to deliver what Europe citizens are entitled to expect"*, says ETUI (2016, page 6). The report on "Benchmarking Working Europe 2015" arrives at the conclusion that austerity and growth cannot be reconciled ("Austerity and growth do not mix"; ETUI, 2016, page 5). In our opinion, to stop the trend towards rising poverty and exclusion in two thirds of the MS (see Andor, 2016), a general re-orientation of EU policy is needed (solidarity and cohesion as the highest goal of "Social Europe", in which society is the dominant part of the economic system; Polanyi, 1944), and more specifically, overarching topics such as economic, fiscal and social policy need to be discussed, with a focus on wage development, fundamental social rights and European collective agreement systems, to name but a few.

*"In short: This is about a socially and environmentally friendly growth policy. This course correction should moreover be accompanied by reforms of the European Semester strengthening the social dimension*", say Biegoń and Schuster (2015, page 7). A balanced prioritisation of fiscal, macroeconomic and social key indicators as has been proposed by numerous experts,[61] will not only support the achievement of social goals but also those of sustainable long-term economic policy. The first steps towards a more balanced view seem

[61] *For example in Schellinger, 2015; Biegoń and Schuster, 2015; Ginell, 2016, Hoffmann, 2016.*

to have been taken, e.g. by more consideration of the areas "Employment and Social Affairs" in the European Semester. *"Im Rahmen des bestehenden Vertragswerks ist eine Weiterentwicklung der sozialen Dimension schwierig, mit Einschränkungen jedoch möglich: Die Gleichstellung wirtschafts- und sozialpolitischer Akteure im Europäischen Semester, der Einsatz des Verfahrens der Verstärkten Zusammenarbeit und die Stärkung der Arbeitnehmer und Gewerkschaften durch die Mitbestimmung und den sozialen Dialog können Eckpunkte für eine nachhaltige Neuausrichtung bilden" ["In the framework of the existing treaty, it is difficult to develop the social dimension but it is possible within limits: A level playing field for economic and social policy actors in the European Semester, using the process of enhanced cooperation and strengthening employees and trade unions through co-determination and social dialogue could be cornerstones of sustainable re-orientation"]* says Schellinger (2015, page 1). The goal of alleviating poverty as well as other challenges are being analysed in the framework of the European Semester and recommendations are issued to MS faced with special challenges. However, the importance of social cohesion for a viable Europe characterised by solidarity needs a stronger focus on social progress.[62]

Apart from a more balanced prioritisation of key indicators, Vanhercke et al. also plead in favour of involving social policy actors in the development of such indicators: *"Hence there is a clear risk that if EU social policy actors do not participate in developing appropriate indicators for benchmarking Member States' performance in their field of expertise, these will be defined independently by the economic policy actors without their input*" (Vanhercke et al., 2015, page 24). The EC also identifies the necessity of social dialogue to give more attention to how the MS are doing in terms of employment and social affairs. According to the EC, a number of further steps should be taken in this context: For example, the MS should focus more on the contribution of the national social partners to ensure better identification with the reform efforts (European Commission, 2015c).

As this study suggests, there is an additional need for benchmarking processes to primarily clarify the questions *what, why and how* we measure in a joint exercise. In this context, the shared wish or the "agreement" of MS is essential. The EC also considers a "*high level commitment*"[63] to be the core element of effective implementation in benchmarking processes. Apart from a shared interest in benchmarking, voluntariness is crucial; Arrowsmith et al. also stress: "*Benchmarking as a consensual rather than coercive process may have its frustrations, but could make more sense in the long run"* (Arrowsmith et al., 2004, page 324). Moreover, experiences, e.g. from EU benchmarking processes have shown

[62] *See also the call of the Austrian Trade Union Federation (ÖGB) for a social progress protocol (http://www.oegb.at/cms/S06/S06_5.a/1342574108098/eu-international/oegb-stellungnahme-zur-konsultation-der-eu-kommission-ueber-eine-europaeische-saeule-sozialer-rechte).*

[63] *Further elements include relevant performance measures, analytical support structure, monitoring of policies, improvement of the monitoring mechanism and a process-steering platform (European Commission, no date).*

that learning from other MS is promoted if benchmarking is not considered mere "target measurement": *"Ex ante thematic reviews and implementation reviews (…) have proven to be an innovative development for a better coordination of plans for major reforms. This form of assessment in the context of the OMC (remark: Open Method of Coordination) is a best practice at the EU level and should thus be considered as a significant leverage for a deep and genuine social EMU*", we read in a report of Ministers in the Council of the European Union (Luxembourg Council Presidency, 2015). *"As far as possible, any targets should also be used as 'soft' indicators rather than hard and fast requirements. Models of evaluation that draw on impact surveys, case study work and knowledge sharing are also available and, given the will, would enable loose but coherent forms of process and strategic benchmarking to be prioritized"*, say Arrowsmith et al. (2004, page 324).

Arrowsmith et al. identify three approaches to EU benchmarking: The first one is referred to as a "top-down" approach, which they consider to be a mere "surveillance approach". The second is the so-called "learning approach" (which is a pure "bottom-up" approach) and the third one is referred to as "improvement approach", which is somewhere in between and includes all four elements of a benchmarking process, i.e. the combination of analytical and action-focused orientation with *"measurement sticks for self-evaluation*" and "*learning possibilities for improvement and adaptation". "Our analysis suggests that the third, arguably ideal or most 'pure' form of benchmarking, is most difficult to realize at European level. This is because of the need for political consensus between member states and because of their heterogeneity in terms of legal systems, regulatory frameworks, labour markets and economies, cultures and so on which takes the inherent technical problems of the benchmarking process to new extremes"*, Arrowsmith et al. (2004, page 324) conclude. In spite of expectable obstacles, no other form seems to support success in benchmarking. Neither the top-down approach nor the pure bottom-up approach seems promising: Hence, a combination of existing, often purely quantitative approaches with qualitative elements is suggested.

***Instead of indicator-dominated benchmarking a process focusing on benchlearning and benchaction is proposed, to get to the root causes of problems and learn from good (policy) practice.***

Instead of an indicator-dominated benchmarking process, a process focusing on benchlearning and benchaction is proposed so MS can get to the root causes of problems (e.g. poverty) and engage in mutual learning from good (policy) practice in social protection. Moreover, existing labour market and social indicators have to be revisited and developed to minimise the "weaknesses" of indicators which allow for leeway for incomplete and thus misdirected interpretations. When making decisions about the basis of comparison, the relative stage of development of individual states should be taken into consideration in the best way possible, i.e. different levels of departure or pre-existing situations have to be borne in mind (context dependency). The focus should be on "the next best" and not "the good and the bad", as described by the EMCO. Merely "running after the best in class" turns attention away from the root causes of divergences between MS. The benchmarking process per se should be supported by accompanying measures, such as more far-reaching qualitative analyses. Thus, benchlearning models should not only be used to deepen the understanding of the EU-MS regarding the respective systems but eventually also to achieve social progress and upward convergence in the EU. Learning from each other, as is the case in the Mutual Learning Network, where there are peer reviews, networking and an exchange of "good practices" (European Commission, 2011), should thus be welcomed.[64] Peer reviews in the area of social protection[65] should increasingly be linked with the suggested benchmarking activities.

In summary, our recommendations in respect of benchmarking in the social dimension of the EU are as follows:

- the most comprehensive view possible of *interlinked policy areas* (in particular economic, fiscal, labour market, social and educational policies);
- a *stronger focus on social affairs* (e.g. a balanced prioritisation of fiscal, macro- economic and social key indicators; the extensive involvement of actors in the further development of social indicators; equal treatment of social and economic actors in the European Semester etc.);

[64] *http://ec.europa.eu/social/main.jsp?catId=1100&langId=en?*

[65] *http://ec.europa.eu/social/main.jsp?catId=1024*

- the *joint clarification, by all stakeholders, of the questions* "Why do we measure?", "What do we measure?" and "How do we measure?";
- an emphasis on *benchlearning* and *benchaction*, in which a structured exchange of information about and a reflection on systems, practical experiences and the performance of the MS in the implementation of successful (and faulty) policies takes place (including the implementation of accompanying measures);
- benchmarking in respect of *root causes instead of symptoms*;
- benchmarking of *processes and performance*; and
- *orientation towards inputs and outcomes* (using economic and social indicators).

The EC (and in part, the MS) should consider in particular the following activities:

- The implementation of comprehensive benchlearning and benchaction processes (coordination of a structured exchange of information about and a reflection on practical experiences and the performance of the MS in the implementation of successful (and faulty) policies;
- Joint consideration of root causes and framework conditions: benchmarking processes should include an investigation of the root causes and a discussion and critical observation as well as exploration of the (societal and economic) conditions and developments (framework conditions);
- The promotion of social innovation and "social policy experimentation";
- Efforts to attain better interaction between policy areas, governance levels and actors; and
- The linkage of existing learning and exchange exercises, such as peer reviews, with the proposed benchmarking activities.

The EC (and groups of MS) should consider in particular the following activities:

- Country-specific, subregional, local analyses and activities;
- Thematic and context-specific analyses and activities;
- Efforts to attain better interaction between policy areas, governance levels and actors;
- The promotion of social innovation and "social policy experimentation"; and
- The identification and exchange of "good practices".

The outcome of the study, which dealt with minimum income schemes, has shown that benchmarking can only be recommended within limits in the social dimension. Moreover, the study has explored further key policy areas for their basic suitability for benchmarking, i.e. precarious employment, social mobility, social equity, integrated care, reducing the burden of labour costs, old-age pensions and gender equity. Even when an adequate methodology is used, making it possible to get to the root causes of problems and even if qualitative elements are considered to a greater extent, problems of measurability (e.g. cause and effect chains) and of comparability among states (contextuality) persist.

Benchmarking is a very time-consuming and resource-intensive process which needs to be well organised and must be seen as a continuous exercise. Hence, the central question is whether a benchmarking process in the social dimension can indeed contribute effectively to achieving the EU-2020 target and to upward convergence where not only those who are better off benefit (in a purely quantitative analysis in benchmarking, there is a risk that "more easily integrated" target groups are preferred over groups with special needs in terms of placement and re-integration because statistics can be "improved" more quickly this way).

To achieve the EU-2020 target of alleviating poverty, to strengthen the social dimension and for upward social convergence, there is no need to primarily use benchmarking for individual MS benefits as has been proposed for minimum income schemes (se section 4.2). Much rather, a comprehensive discussion about the *future of social Europe* is required: all available resources should be used to re-establish trust and confidence in a common Europe and beyond, for the development of a European Social Model. After all, in an EU characterised by a growing gap between rich and poor and a rise in poverty, benchmarking individual benefits in social protection and social welfare can only make a small contribution to upward convergence. And such a contribution will only be satisfactory if problems are analysed extensively, if all actors are involved and if benchlearning and benchaction come to the fore.

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# LIST OF TABLES AND FIGURES

# ANNEX I
# SPECIFIC GOALS OF SOCIAL PROTECTION AND SOCIAL INCLUSION

The European Commission communicated the following specific goals of social protection and social inclusion according to the SPC-Indicator Subgroup (European Commission, 2015b, page 5f.):

**The overarching objectives for social protection and social inclusion are to promote:**

- social cohesion, equality between men and women and equal opportunities for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies;
- effective and mutual interaction between the Europe 2020 objectives of smart, sustainable and inclusive growth, taking full account of the relevant social provisions of the Lisbon Treaty;
- good governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy.

**The following objectives apply to the different strands of work:**

**Social inclusion: A decisive impact on the eradication of poverty and social exclusion by ensuring:**

- access for all to the resources, rights and services needed for participation in society, preventing and addressing exclusion, and fighting all forms of discrimination leading to exclusion;
- the active social inclusion of all, both by promoting participation in the labour market and by fighting poverty and exclusion;
- 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.

**Adequate and sustainable pensions by ensuring:**

- adequate retirement incomes for all and access to pensions which allow people to maintain, to a reasonable degree, their living standard after retirement, in the spirit of solidarity and fairness between and within generations;
- the financial sustainability of public and private pension schemes, bearing in mind pressures on public finances and the ageing of populations, and in the context of the three pronged strategy for tackling the budgetary implications of ageing, notably by:

supporting longer working lives and active ageing; by balancing contributions and benefits in an appropriate and socially fair manner; and by promoting the affordability and the security of funded and private schemes;

- that pension systems are transparent, well adapted to the needs and aspirations of women and men and the requirements of modern societies, demographic ageing and structural change; that people receive the information they need to plan their retirement and that reforms are conducted on the basis of the broadest possible consensus.

**Accessible, high-quality and sustainable healthcare and long-term care by ensuring:**

- access for all to adequate health and long-term care and that the need for care does not lead to poverty and financial dependency; and that inequities in access to care and in health out- comes are addressed;
- quality in health and long-term care and by adapting care, including developing preventive care, to the changing needs and preferences of society and individuals, notably by developing quality standards reflecting best international practice and by strengthening the responsibility of health professionals and of patients and care recipients;
- that adequate and high quality health and long-term care remains affordable and financially sustainable by promoting a rational use of resources, notably through appropriate incentives for users and providers, good governance and coordination between care systems and public and private institutions. Long-term sustainability and quality require the promotion of healthy and active life styles and good human resources for the care sector.

## ANNEX II
## PRINCIPLES OF THE EUROPEAN PILLAR OF SOCIAL RIGHTS

The draft of the European Pillar of Social Rights is structured according to three principles. These are equal opportunities and access to the labour market, fair working conditions and proper and sustainable social protection systems:

- The area/principle of "**Equal opportunities and access to the labour market"** covers the following dimension: equal opportunities and labour market access; development of skills and lifelong learning; active support to employment to improve employment opportunities; facilitated transitions; improvement of employability.
- The area/principle of **"fair working conditions"** covers fair working conditions to create a reliable balance of rights and obligations of workers; and a balance between flexibility and security elements (to facilitate the creation of jobs, employment and adaptability of enterprises; and for the promotion of social dialogue).
- The area/principle of "**proper and sustainable social protection systems"** includes fields such as proper and sustainable social protection and access to high-quality essential services including child care, health care and long-term care (to ensure a life in dignity and protection against risks; and to enable unrestricted participation in the working life and in society at large).