



# The Social Dimension: Opportunities and Limits to Benchmarking for a Social Europe\*

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## Benchmarking in the social dimension

*“Social convergence in the euro area has broken down; it needs to be restored”* informs the European Political Strategy Centre (European Commission, 2015: 3). Hence, the European Commission has launched several initiatives to strengthen the social dimension (Vanhercke et al., 2015; European Commission, 2016a; 2016b), including a renewed upward policy convergence especially with a view to the European Monetary Union (EMU) (European Commission, 2016c). These developments have culminated in the proclamation of the European Pillar of Social Rights on 17 November 2017.

2017 thus marks a turning point as the social dimension has hitherto been of secondary importance in the history of the European Union. This turn is not only a reaction to Brexit and rising EU criticism, but also to the facts that almost one quarter of the EU population (23.7%) – equivalent to 118.8 million people – was at risk of poverty or social exclusion in 2015 (2016 Social Protection Performance Monitor), that the gap between rich and poor is growing, and that the EU is nowhere near reaching the ‘Europe 2020’ goal to reduce poverty by lifting at least 20 million people out of the risk of poverty and social exclusion.

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As a response to these challenges the European Commission has strengthened its monitoring responsibilities with the aim of encouraging general benchmarking to enhance the identification with the envisaged structural reforms in the Member States and to promote their implementation. The question remains, however, if the policy principles of the Pillar of Social Rights will suffice to trigger real structural reforms – and if benchmarking will indeed bolster the social dimension.

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The Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection therefore commissioned the European Centre for Social Welfare Policy and Research to identify key thematic areas for potential benchmarking processes in the social field during the next potential upward policy convergence. The study (Scoppetta et al., 2017) set out to discuss the pros and cons of the benchmarking process in the social dimension, its benchmarks and corresponding social indicators, in particular by focusing on minimum income schemes as a case for a benchmarking exercise suggested by the European Commission.

This Policy Brief synthesizes the results showing that benchmarking in the social field has its pitfalls when focusing on a purely quantitative target setting, and thus can only be recommended within limits in the social dimension. Even when an adequate methodology is used, making it possible to get to the root causes of social problems, and even if qualitative elements are considered in a wider context, problems of measurability (e.g. cause and effect chains, different points of departure in international comparisons) and of comparability among Member States (contextuality) persist.

## **What is benchlearning about?**

According to modern management literature and practitioners benchmarking has 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. The method, which originates in business management, nowadays is recommended by the European Commission, amongst other institutions, to not only assess business performance but social systems, structures, and performance of Member States in implementing social policy reforms.

The assumption behind is that public administration can learn from business management because, after all, activities including planning, organisation, target setting, and progress assessment are to be accomplished in both the public and the private sectors. What became discernible in the social dimension is the need for 'benchlearning' and 'benchaction' (Freytag and Hollensen, 2001), i.e. processes and procedures in which analysing frameworks for societal challenges, learning from others, and taking action stand in the forefront.

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 mutual exchange. Subsequently, information about how to implement activities building on this process is being exchanged (benchaction).

## The caveats of current practice

When implementing a comprehensive benchmarking exercise in both business management and public administration focusing on the social dimension, the selection of reference values should be preceded by answers to the questions: **‘Why do we measure?’, ‘What do we measure?’ and ‘How do we measure?’**

**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?’**

When a Minimum Income Benchmarking Process is put forward, as lately suggested by the European Commission (2016b), the following caveats need to be considered:

- Minimum income schemes cover only one specific segment of the Member States’ social welfare systems and should therefore be viewed with a critical eye in general.
- A focus on minimum income schemes only produces limited findings as, for instance, the interaction of economic situation or upstream social welfare benefits are not covered.
- The contribution of minimum income schemes to the EU-2020 target of alleviating poverty is rather limited.
- Contributions to the efficiency and effectiveness of subsystems of minimum income schemes, e.g. in relation to activation benefits, will be difficult to measure.
- Due to the high degree of diversity in the design of Member States’ minimum income schemes (see, for example, Immervoll, 2010) and upstream benefit schemes, comparison will be restricted.
- 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 and attempts to provide integrated services.

Apart from taking a critical stance towards the question as to what exactly is being measured in the above benchmarking process, the ‘how’ is also called into question. The currently implemented ‘3-stage structure’ of the ‘EMCO/SPC benchmarking process’ proposed by the European Commission (2016a; 2016b) regarding unemployment benefits and minimum income schemes of the Member States comprises the identification of special challenges and outcome indicators (stage 1), the determination of performance indicators and identification of best performers (stage 2) and the definition of political levers (stage 3). Since this structure is mainly focusing on quantitative reference values, a benchmarking process that would enable a structured exchange of and reflection on practical experiences and the performance of Member States

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

in the implementation of their policies (with an emphasis on benchlearning and benchaction) is hardly taking place.

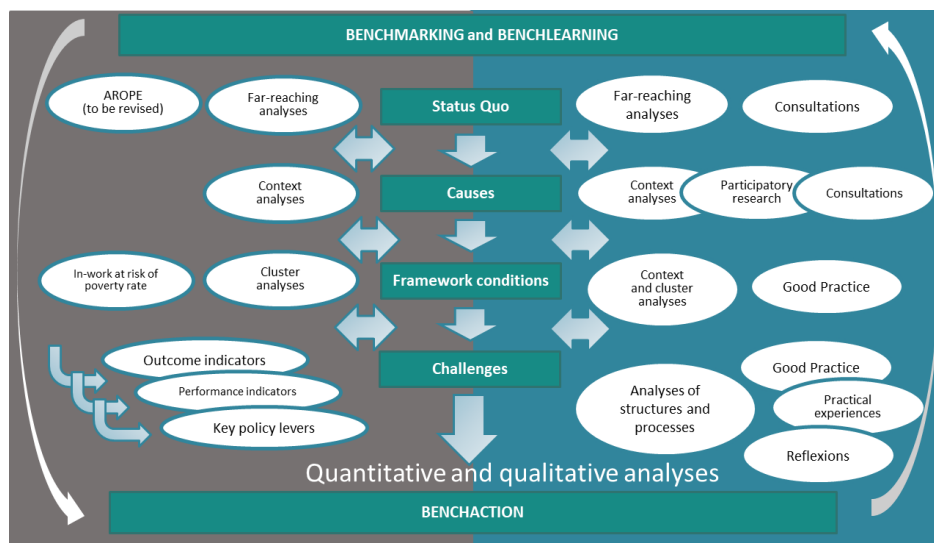
Hence, it would be recommendable to consider such 'reflection processes' on poverty among Member States in order to complement the benchmarking exercise in the area of minimum income schemes, to address the root causes of poverty in the EU, and to shed light on reasonable framework conditions and poverty-alleviating solutions. Such a process dealing with the issue of poverty would also lead to a change of perspective: from the mere segment of minimum income schemes to a more universal picture of a central challenge in the EU – combating poverty and social exclusion.

### **The case of poverty analysis focusing on minimum income benefits**

Poverty is a cross-cutting issue with numerous policy areas linked to it. No conclusions regarding the causes of and the differences in individual Member States' performance can be drawn from a purely quantitative benchmarking exercise of minimum income schemes. Therefore, an extension of benchmarking is being suggested, i.e. benchmarking related to minimum income systems and a complementary analysis regarding poverty. To organise such a process, many stakeholders must be brought on board representing the wide range of policy areas, sub-systems, and governance structures. As a corollary, the general context of social welfare systems in the Member States becomes key.

However, the weaknesses of the benchmarking process regarding minimum income schemes such as problems of measuring and comparison will not automatically be reduced by an additional process of poverty analysis. On the contrary: Many new limitations, e.g. the identification of causes and effects, may arise from investigating cross-sectional issues of poverty. A structured exchange of information and reflection on systems, practical experiences, and performance of Member States as they implement their policies, would therefore be required. This process of 'benchlearning' and 'benchaction' would entail ongoing reflection on benchmarks, the steps to be taken by the involved organisations, and regular reviews as depicted in Figure 1. It would encompass the implementation of various actions from quantitative analysis such as context and cluster analysis to qualitative participatory research methods, reflection and consultation.

**Figure 1: Benchmarking, benchlearning and benchaction during poverty analysis focussing on minimum income benefits**



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

Nonetheless, the central question remains whether even enhanced benchmarking processes would constitute a method to alleviate poverty in the EU: 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 compare and exchange knowledge on existing policies, rather than promoting social investment and innovation?

## Policy recommendations

- Systemic ‘policy learning’ in which benchmarking is understood as a consensus-based and voluntary process starts with the joint clarification, by all stakeholders, of the questions ‘Why do we measure?’, ‘What do we measure?’ and ‘How do we measure?’.
- A stronger focus on social affairs is needed for EU policies. While the European Pillar of Social Rights can serve as a starting point, a more balanced arrangement of fiscal, macro-economic and social key indicators has to be found, including an equal treatment of social and economic actors in the European Semester.
- Emphasis should be put on benchlearning and benchaction fostering a structured exchange and reflection about the systems, practical experiences, and performance of Member States. The further promotion of mutual learning exercises is therefore suggested to underpin existing benchmarking initiatives such as those related to unemployment benefits and minimum income schemes.

- Benchmarking initiatives therefore need to be linked, for instance, to the Open Method of Coordination (peer reviews) and other mutual learning processes in the fields of employment, social affairs, and inclusion undertaken by the European Commission together with the Member States. Further key policy areas to be looked at in the social field comprise precarious employment, social mobility, social equity, integrated care, reducing the burden of labour costs, old-age pensions and gender equity.
- When implementing benchmarking exercises, the most comprehensive view possible of interlinked policy areas should be taken, in particular economic, fiscal, labour market, social and educational policies. Next to benchmarking regarding root causes rather than symptoms, benchmarking of processes and performance is required. Accompanying measures should be implemented to enhance political dialogue and research activities.

To achieve the EU-2020 target of alleviating poverty, and to strengthen the social dimension and upward social convergence, there is no need to use benchmarking primarily for individual Member States' benefits as has been proposed for minimum income schemes. Much rather, a comprehensive discussion about the future of social Europe is required. This entails the use of available resources to re-establish trust and confidence in a common Europe and beyond, and to deliver what the European Pillar of Social Rights is promising: decent unemployment benefits, sufficient coverage rates of unemployment benefit schemes, no employment relations without social insurance, equal integration in the labour market, and a generally upwards convergence.

EU Member States continue to be characterised by a growing gap between rich and poor, and by rising poverty rates rather than trends towards achieving the envisaged reduction by 2020. Benchmarking of individual benefits in social protection systems as a contribution has been falling short in terms of upward convergence. Future contributions will only be satisfactory if societal problems are analysed more extensively and if relevant stakeholders will be involved in benchmarking and benchmarking processes.

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