Policy developments and statistical priorities for social policy at EU level

ESSPROS WG – April 2014

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European Commission -
DG Employment, social affairs and inclusion
Outline

Policy developments

- **Europe 2020**
  - European Semester
  - Policy priorities
- **SPC work and the social OMC**
- **Other Commission initiatives**

Reporting and analysis

- **Employment and Social Developments in Europe**
- **Increasing use of ESSPROS**

Statistical priorities
1. Policy developments
1) The European Semester

**Commission**
- Annual Growth Survey
  - Draft Joint Employment Report
- Social Protection Committee
- SPC Annual Report
  - (IG 10)

**MS**
- Employment Committee
- Joint Employment Report
- EPSCO
  - Debate / orientations
  - Policy guidance

**National Reform Programs**
- MS Commission
- Employment Committee
- EPSCO
  - Discussion / adoption CSR

**In-depth review**

**Country examination**

**Spring European Council**
- Policy guidance

**January**

**March**

**May**

**June**

**Social Europe**
2014 AGS priorities

- **Pursuing growth-friendly fiscal consolidation**
- **Restoring normal lending to the economy**
- **Promoting growth and competitiveness**
- **Tackling unemployment and the social consequences of the crisis**
  - **Support employment, esp. of the young**
  - **Performance of social protection systems, activation and protection of the most vulnerable**
- **Modernising public administration**
2014 in detail: tackling the social consequences of the crisis

- Further improve the effectiveness of social protection systems – encompassing efficient and adequate income support
- Ensure access to services to support integration to the labour market and society
- Promote employment participation, reduce tax wedge
- Monitor distributional impact of reforms
- Implement active inclusion policies
• **Employment package (April 2012)**
  Reinforcing inclusive dimension of employment policies (e.g. both demand and supply side measures, sustainable and decent wage floors)

• **Social Investment Package (Jan 2013)**
  Ensure effectiveness and efficiency of social expenditure, notably reflecting on their investment dimension.

• **Social Dimension of the EMU (Oct 2013)**
  Reinforced surveillance and strengthened coordination; further action in support of labour mobility; strengthening of social dialogue.
2. Reporting and analysis
Monitoring Europe 2020 and the social OMC

Joint Assessment Framework (JAF)
- Diagnosis tool based on key indicators (see example)
- Shared by MS and Commission
- Supports the work on Country Specific Recommendations

Social protection performance monitor (SPPM)
- Summary of MS progress towards their national targets
- And of key challenges identified through the JAF

OMC indicators covering inclusion, pensions and health used in thematic reporting by SPC
Commission reporting: Employment and Social Developments in Europe (annual review)

2012 themes:
- Dynamics of poverty and long-term exclusion
- Long-Term unemployment
- Effectiveness and efficiency of welfare systems
- Impact of taxation on labour market and social outcomes
- Wages and productivity
- Skill mismatches
- Migration (including inclusion of migrants)

2013 themes:
- EU employment: where will jobs come from?
- Working age poverty
- The gender impact of the crisis
- Undeclared work
- Convergence and divergence in EMU
- Effectiveness and efficiency of social expenditure in the crisis
- Indicators of inclusive growth to complement GDP growth
Commission reporting: Quarterly reviews

Employment and social trends
- Quarterly LFS data, by social groups
- Consumer surveys by income quintiles (monthly data)

Special focuses (e.g.)
- Child poverty
- Material deprivation
- Efficiency of social spending
- Eurobarometer results
- Etc...
Increasing use of ESSPROS, for example

Macro-trends of expenditure (links with NA and timeliness)
Analysing the trends of social expenditure by function and efficiency and effectiveness (link with beneficiaries and timeliness)
Analysing the financing of social protection (links with schemes information)
Social expenditure in 2010...

Mainly differences in expenditure levels per potential beneficiary

EU27: 28% of GDP
40% pensions

Source: ESSPROS, DG EMPL calculations
Increases in 2009, declines in 2011...

Change in real expenditure by function (EU-27)

Unemployment exp - decomposition (EU-27)

Source: ESSPROS, LFS, DG EMPL calculations
... and in 2012

Breakdown of annual change in real public social expenditure between contributions from in-cash and in-kind benefits, EU27 and EA17, 2001–13

Source: National Accounts, DG EMPL calculations
Larger deviation of public social expenditure from its trend than in previous recessions

Source: National Accounts, AMECO, DG EMPL calculations
A stylised framework: effectiveness and efficiency

- How much do MSs performance differ?
  
  ✓ Not overall performance but **across main functions**: pensions, family, unemployment, exclusion and housing (health not covered at this stage)

  ✓ Focus on a few key outcomes (adequacy and employment related)

  ✓ Choice of key indicators supported by more (factor) analysis
A stylised framework: efficiency

- Link between performance and expenditure

  - Is MSs relative performance in line with their relative expenditure levels? Do high (low) spenders perform better (worse)? Or not?

  - Is the orientation of expenditure along various risks in line with their relative performance levels?

  - Did MSs spend more in the early phase of the crisis (2007-10) on areas with higher needs (or not)?
Orientation of social protection expenditure (2010)

DE, AT and IT: similar spending levels but very different orientation of expenditure (controlled for demographics and unemployment)

- DE: low orientation on pensions
- IT: lower than average except higher on pensions
- AT: significantly higher than average for pensions, unemployment, and family
## Orientation of social protection expenditure

<table>
<thead>
<tr>
<th>... towards ...</th>
<th>Orientation skewed...</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Much <strong>less</strong> than EU average (-)</td>
<td>Much <strong>more</strong> than EU average (+)</td>
</tr>
<tr>
<td>Pensions</td>
<td>DE, IE</td>
<td>MT, CY, NL</td>
</tr>
<tr>
<td>Health</td>
<td></td>
<td>IE, HR</td>
</tr>
<tr>
<td>Family</td>
<td>IT, NL</td>
<td>AT, BE, LU</td>
</tr>
<tr>
<td>Unemployment</td>
<td></td>
<td>AT, BG, DE, DK, EE, HU, LT, LU</td>
</tr>
<tr>
<td>Social exclusion and housing</td>
<td>AT, IT</td>
<td>CY, LT, NL, UK</td>
</tr>
</tbody>
</table>
Family expenditure - Child poverty

- Average cash spending, **high in-kind**
- Similar poverty reduction
- Different child poverty outcomes and relative incomes of families
- Very different employment rates of mothers and **childcare use**
Contributions to growth by function (2007-10)

Change in real social expenditure (2007–10) — contributions of expenditure levels per potential beneficiary population and of socio-economic developments

Source: ESSPROS, DG EMPL calculations. Note: Impact on overall expenditure growth in volumes of changes in average expenditure per potential beneficiaries and socio-economic trends (changes in population aged 65 and older, in population under 18, and in population unemployed).
Did expenditure growth reflect areas of higher needs?

- Not always: examples over 2007-10 period

- High spenders, but low/average performers and increased spending more than average on
  - Pensions (PL, PT)
  - Family (AT, DE, LU)
  - Social exclusion and housing (NL, SE, UK)

- Low spenders, but low/average performers and increased spending less than average on
  - Pensions (IE, LU, LT)
  - Family (CZ, ES, IT, LV, PL)
  - Unemployment (LT, LV, UK)
  - Social exclusion and housing (BG, PL)
Trends in Financing
Shift from social contributions to taxation

- Pre-crisis: social contributions ↓; government contributions ↑
- 2007-2010: General increase in social spending relative to GDP
Economic stabilisation through resources during the crisis

Total resources

Social contributions

Source: Eurostat. Calculs DG EMPL.
Financing structures by functions in 2010

Pensions (without survivors)  Health (without disability)

Source: Eurostat. Calculs DG EMPL.
3. Statistical priorities
Statistical Priorities

- Timeliness of currently available information
- Scheme level information
- Number of beneficiaries
- Net benefits
- Link to macro-economic trends (national accounts/SHA)
Thank you for your attention
Household income components (2000-2012)

Source: National Accounts, DG EMPL calculations
## Orientation of social protection expenditure

### Table 2: Orientation of social protection expenditure in 2010

<table>
<thead>
<tr>
<th>... towards</th>
<th>Sign and strength of orientation of social expenditures...</th>
<th>Balanced</th>
<th>Positive</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Negative Strong</td>
<td>Mild</td>
<td>Balanced</td>
</tr>
<tr>
<td>Old age and survivors</td>
<td>DE, IE</td>
<td>BE, DK, FI, HR, SE</td>
<td>All others</td>
</tr>
<tr>
<td>Health and disability</td>
<td>IT, CY</td>
<td>All others</td>
<td>All others</td>
</tr>
<tr>
<td>Unemployment</td>
<td>IT, SE, UK</td>
<td>All others</td>
<td>All others</td>
</tr>
<tr>
<td>Family</td>
<td>IT, NL</td>
<td>FR, PT, UK</td>
<td>All others</td>
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<tr>
<td>Social exclusion and housing</td>
<td>AT, IT</td>
<td>PT</td>
<td>All others</td>
</tr>
</tbody>
</table>

*Source: DG EMPL.*
Did expenditure growth reflect areas of higher needs (example of pensions)?

<table>
<thead>
<tr>
<th>Expenditure per 65+ in 2010</th>
<th>Performance in 2010</th>
<th>Share to the contribution of real social protection expenditure growth, corrected for demographic change (2007–10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>BG, ES</td>
<td>IE, LU, LT</td>
</tr>
<tr>
<td>Av.</td>
<td>BE*, CY, MT</td>
<td>DE*, SE, SI</td>
</tr>
<tr>
<td>High</td>
<td>EL</td>
<td>DK*, IT, NL*, AT*, FR</td>
</tr>
</tbody>
</table>

*Source: DG EMPL calculations.*