

# EUROPEAN POLICY BRIEF

localise



## The Local Dimension of Integrated Social and Employment Policies

Policy Implications for Organising Social Cohesion Policies in European Welfare States

December 2012

### INTRODUCTION

#### Social Cohesion: The Challenge

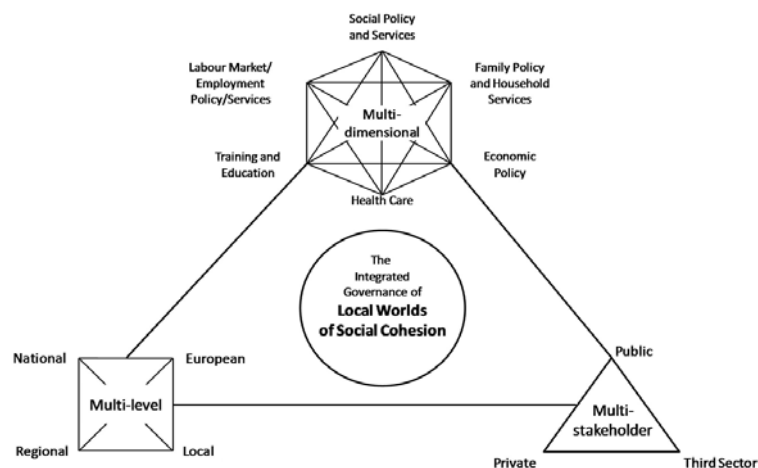
LOCALISE investigates how different institutional and economic contexts shape local social cohesion policies. By social cohesion policy we mean a policy that is aimed at achieving social inclusion and equal opportunities for even the most disadvantaged groups in a society, especially in regard to labour market participation.

#### Linking different policy fields

One characteristic of integrated social cohesion policies is that they rely on three aspects of policy integration: multi-dimensional, multi-level and multi-stakeholder. On the multi-dimension side, these policies are aimed at bringing together social and employment policies more closely. The reason for integrating social policies with employment policies is that labour market participation for disadvantaged groups also depends on the provision of childcare, accessible health care, suitable training or psychosocial counselling.

#### Different levels of governance

Such tailor-made and individualised support ideally takes place in close proximity to the beneficiary. The local level thus plays a crucial role. At the same time, European policymaking increasingly influences national policymaking. Social cohesion policies thus operate in a multi-level context.



## Public actors, private providers or civil society?

Finally, when it comes to tailor-made service provision, different service providers have to be integrated. Public-private partnerships may offer a new way of more efficient and targeted policy organisation, whereas the inclusion of social partners and civil society organisations can improve knowledge on policymaking.

On the basis of national case studies, LOCALISE provides a comparative overview of the integration of social cohesion policies with regard to actors, levels of governance and policy fields.

## KEY OBSERVATIONS

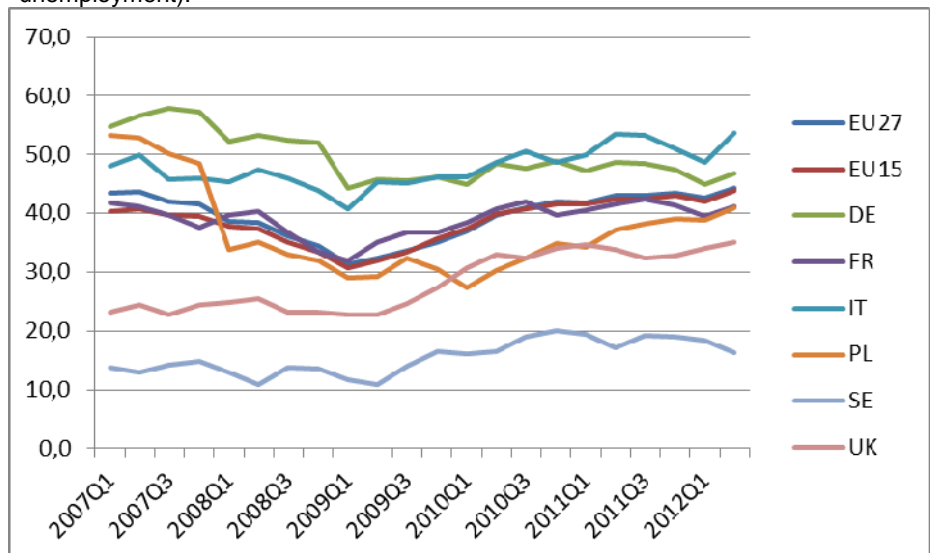
### Setting the Stage: Unemployment and European Integration

### Developments and distribution of unemployment

The context of activation-friendly reform is shaped by two factors: structural unemployment, which has increased during the financial and economic crisis, and the process of European integration.

Firstly, unemployment has worsened during the economic crisis over the last five years. Apart from rising general unemployment rates (with an unemployment rate of over 10% in the EU 27), high long-term unemployment and youth unemployment form tremendous obstacles with regard to social cohesion. Youth unemployment rates are now above 20% in 15 of the 27 EU member states and long-term unemployment rates have increased continuously since the crisis (Figure 1). Furthermore, unemployment is unequally distributed across regions, differing from 4.3 % in Austria to 26.2% in Spain (10/2012).

Figure 1: Long-term unemployment rates in Europe 2007-2012 (in % of total unemployment).



Source: Eurostat.

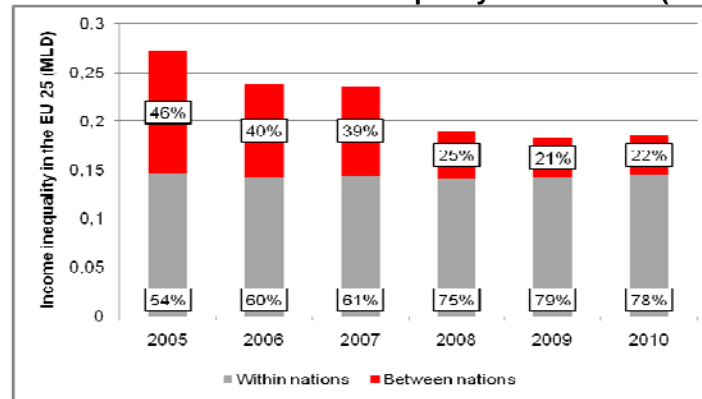
### Social inequality in the context of the European integration

Secondly, social inequality in Europe has been influenced by the process of European integration. While generally economic and income inequality *between* EU member states is strongly declining, *within*-state economic inequality is increasing in many EU countries.

On the basis of EU-SILC data, the following structure of inequality emerges:

### European convergence, but subnational divergence of social inequality

#### Within- and between-nation inequality in the EU-25 (MLD, 2005-10)



Source: EU-SILC.

### Determinants of regional inequality

Thus, inequality is not only shaped by national institutions, but also to a large extent by the monetary, economic, legal and political integration of the European Union. However, the European integration processes (for example legal integration) do not promote more egalitarian *within*-nation income structures. Through a multilevel analysis of individual and household-related income data, we are able to show that the level of disposable income in the enlarged EU is strongly influenced by national, but also subnational factors:

- In particular a high level of employment and higher shares of employment in industry and in business-related and financial services have a positive impact on the income level. A high proportion of industrial workers is particularly important for egalitarian income structures.
- The welfare state, the qualification level of the population, the proportion of industrial employees and to a certain extent also the trade unions, i.e. the traditional institutions of an industrial society, play an essential role in the equalization of income structures.
- The global processes of economic integration, which are particularly intense in Europe, influence the level, but not the unequal distribution of disposable income. In particular, the increasing cross-border mobility of people and foreign direct investments is associated with higher incomes.

This context of increasing unemployment and regional inequality forms a challenge to achieving social cohesion in European welfare states. To what extent are policies suitable for meeting this challenge?

### Integrating policy fields: traditional links or innovative design?

Despite the historically low integration of social and employment policies in all countries, our national case studies clearly show increasing integration of policy fields. The level of integration is highest in the area of training policies, which is traditionally linked to employment policy in some countries (DE, FRA, SWE). Childcare is also being increasingly recognised as essential for labour market integration, even in those countries previously oriented towards the male breadwinner model, such as Germany. The integration of childcare works both ways: for example, in Germany childcare spaces are prioritised for unemployed persons, whereas in the UK childcare centres also offer advice on how to obtain paid employment.

The integration of health, housing and social assistance policies

varies in the countries. There are comparatively stronger connections for housing (DE) and health (SWE, UK). In most countries, social assistance became integrated with employment policies in the sense that stronger work requirements were introduced. However, the degree to which social services, such as psycho-social or debt counselling, are integrated differs greatly not only between countries, but also within the countries. This type of integration seems to highly depend on local needs. Often services are integrated in practice, but not so much in policy development. The focus on the individualisation of services seems to inhibit systematic coordination in some cases. Furthermore, the integration of policy fields depends on the level at which the policies are located. The link between policies on the national level and policies on the local level is often weaker than the links between policy fields on the same level.

### The influence of target group definitions

Generally, we find that the type of social policy integrated with employment policy is often linked to the definition of target groups in the given country. For example, in Sweden the rising number of beneficiaries in sickness programmes has shaped the policy focus on health care: the sick and disabled are the ones to be activated and integrated into the labour market. Another observation here concerns the fact that the targeting of vulnerable groups in social policies and at-risk individuals in employment policies do not overlap. In other words, we observe a mismatch between the targeting of social and activation policies.

### The link between activation and social services

If we combine this institutional data with expenditure data, we find different types of social cohesion policy. Table 1 shows expenditure data on different kinds of social policy in comparison to employment policy. Those countries with a strong focus on active labour market policy also spend more money on social services and on educational and family policies (comprehensive and compensatory activation regimes), whereas other countries spend less on both policy areas (emerging and residual activation regimes). High spending in one area does not therefore imply a reduction of spending in other areas (crowding-out hypothesis). On the contrary, it seems to be the other way around: one general profile of expenditure seems to apply to different policy fields within one and the same welfare state.

Table 1: Types of Activating Welfare States according to Expenditure on Employment and Social Policy (as % of GDP, 2009).

Unweighted means	Comprehensive activation	Compensatory welfare states on the move	Emerging activation regimes	Residual labour market policies
Countries	Denmark, Sweden	Belgium, Ireland, Netherlands, Finland, Germany, France, Austria	Spain, Portugal, Italy, Estonia, Latvia, Luxembourg, Hungary, Slovenia, Lithuania, Cyprus	Poland, Slovakia, Greece, Czech Republic, United Kingdom, Bulgaria, Malta, Romania
<b>Labour Market Policies</b>				
Total LMP	2.5	2.9	1.6	0.7
Active LMP	0.92	0.77	0.34	0.17
ALMPs/unemp	0.14	0.12	0.04	0.02
Passive LMP	1.23	1.86	1.16	0.45
Passive LMP/unemployment	0.19	0.27	0.12	0.06
<b>Social Policies</b>				
Education	8.0	6.1	5.5	4.7
Services	7.3	2.7	1.4	1.4
Family	3.7	2.8	2.3	1.6
Replacement	78.5	74.7	76.2	59.3

Source: Own calculations based on Eurostat and OECD figures.



### Integrating governance levels

The extent to which policies are decentralised and the way in which local governments interact with higher levels of policymaking differs between the countries, especially because of traditionally different structures of federalism. However, despite these differences, we find that in all countries social assistance and the offer of social services are regulated at the local level, while employment policies usually remain in the national realm. One reason for this might be the political importance of unemployment in the national political debates. Usually national governments are accountable for this matter, which may lead them to keep this highly sensitive and strategic policy field under their own control.

### Local needs vs. national goals

**If decentralisation takes place in all the countries observed**, there are substantial differences with regards to its implementation, while the definition of political goals, target groups and design of instruments remain on the national level. The national definition of target groups stands in stark contradiction to the local proximity arguments. If local entities are unable to identify target groups in their area, it is questionable whether they will be able to adapt policy instruments to their needs. Furthermore, the type of decentralisation differs: while in some countries responsibilities are devolved to elected local bodies, others decentralise indirectly by introducing competition and contracting out to local providers on the basis of market mechanisms. The implementation of a national programme through one local provider questions the extent to which the whole locality is represented.

### Policy effectiveness or cost efficiency?

Reasons given for decentralization include tailor-made services, easing multi-dimensional integration and devolving financial burdens. Thus, we also see a cost argument, which is most clearly pronounced in those countries where decentralization takes place via contracting out.

### Who coordinates interaction between the levels?

Overall, while the local dimension is essential for the provision of client-centred support and social services in order to address the complex needs of the unemployed (indebtedness, alcoholism, addiction, housing, transport, family care, low qualifications), the barriers to cooperation at the local level are substantial. The division of employment services at the national and social services at the local level makes integrated policies very complicated and problematic. Hardly any institutionalised ways of dealing with these issues of coordination exist.

### Integrating different types of actors

Due to the increasing relevance of social services for social cohesion policies, a strong integration of different kinds of actors can be observed. There are many new relationships between different public sector actors, between private and public sector actors or between public and third sector actors. However, the degree of integration differs between the realms of policy development and policy implementation. For policy implementation, integration seems more natural, given the close proximity of working environments of different kinds of services in most countries. On this level, much of the integration has an informal format. In policy development the degree of multi-actor integration is lower and much more formalised.

### The special role of market actors

Marketisation and contractualisation can be observed everywhere. Not only in the UK, but also in Italy, Germany and Sweden external service providers for placement and social services play an

### Contents of activation-friendly reform

increasingly strong role. This requires highly demanding monitoring and regulation of market services in order to avoid 'creaming' effects, low cost services and other opportunistic strategies of the service providers.

In all countries the conditionality applied towards benefit recipients increased. Sanctions have been introduced for when clients miss an appointment or refuse to accept a suitable job. Most countries apply different degrees of sanctioning, depending on the severity of the breach. At the same time, the criteria defining a suitable job were changed in many countries. Almost everywhere clients now have to accept lower income after a certain time of being on benefits. The steps in which the acceptable income is lowered differ between countries: it is most generous in France (95% in a first step, 85% in a second) and least generous in Poland, Sweden and the UK, where income protection takes place only indirectly via a minimum wage or tariff wage-scale.

## RECOMMENDATIONS FOR POLICY-MAKERS

### How can social cohesion policies deliver services to the most disadvantaged groups in society?

In the **current crisis**, the increasing unemployment rates (especially of younger people and long-term unemployed) and the increasing segmentation between stronger and less performing regions and countries may contribute to a downward spiral of territorial inequalities, demotivation, social exclusion, social problems and dequalification which **undermine the long-term perspectives** of not only Southern European societies. Integrated employment, economic and social policies are **a key instrument in times of crisis** for alleviating fiscal consolidation consequences and promoting social cohesion by reducing the risks connected to social exclusion. Activation without an integrated approach may result in higher levels of out-of-work poverty and higher number of working poor instead of more social inclusion. Income inequalities need to be addressed within a multi-level context in which national and also regional determinants need to be considered.

It is necessary to evaluate carefully whether the **division of competences** among the different levels (national, regional, local) is **effective** and corresponds with the integration of relevant stakeholders and policy dimensions. For example, decentralisation via marketisation might not be the best solution for the local community as it excludes other stakeholders from the process. Furthermore, if individualisation is taken seriously, **target groups** can be better defined **at the local level** rather than at the national level.

The **usefulness of target group definitions** should be evaluated carefully. The idea of target groups more generally stands in contrast to the idea of individualisation, but it can help increase the link between policy fields.

Policy development and service delivery should be **closely linked** to each other to ensure effective implementation. This is especially relevant for emerging integration of policy fields (e.g. link between employment policies and childcare or immigration), where policy development might be much more integrated than service delivery. Further **participatory mechanisms** (enabling stakeholders to play a

greater role) could facilitate the monitoring and effectiveness of policy implementation.

Highly demanding monitoring and regulation of market services should be ensured in order to avoid 'creaming' effects, low cost services and other opportunistic strategies of the service providers. Performance management should recognise that providers play various roles in individuals' paths towards employment; outcome measures should therefore reflect a pipeline approach towards activation and, whenever possible, encourage cooperation between providers and policy fields along the pipeline.

## RESEARCH PARAMETERS

### Objectives

LOCALISE addresses the question of how local social cohesion policies deal with complex problems of the unemployed in different socio-economic and institutional contexts. The objectives are to:

- analyse how the socio-economic, legal and regulatory contexts at the European, national and regional level influence the local governance of social cohesion,
- investigate how the integration of social cohesion policies is organized at the local level in six different European countries,
- explore the impact of these new modes of governing the local worlds of social cohesion on three crucial dimensions of social inclusion

### Methods

LOCALISE studies how 18 local entities in six European countries (France, Germany, Italy, Poland, Sweden and United Kingdom) cope with the challenges of an integrated social cohesion policy. The local entities were chosen on the basis of a multivariate analysis of individual income and employment data in the context of a local-regional-national-European multi-level system (EU SILC). Starting from an analysis and comparison of regulatory national contexts of social cohesion policy the local entities were analysed in regard to the implementation of social cohesion policies. In order to identify local modes of governance we studied documented data on local resources and the local organization of social and employment policy. Furthermore, we held expert-interviews with all relevant local stakeholders that have a role in local governance mechanisms and public services.

In the next steps, we will investigate the influence of Europe on local policy-making and the outcome of local social cohesion policies on individuals and case managers.

## PROJECT IDENTITY

### Project name

Local Worlds of Social Cohesion. The Local Dimension of Integrated Social and Employment Policies (LOCALISE)

### Coordinator

**CvO-UNIVERSITY OF OLDENBURG – GERMANY**  
**Jean Monnet Centre for Europeanisation and Transnational Regulations Oldenburg (CETRO)**  
 Martin Heidenreich, martin.heidenreich@uni-oldenburg.de

**Consortium**

**EDINBURGH NAPIER UNIVERSITY – UNITED KINGDOM**  
**Employment Research Institute (ERI)**  
Ronald McQuaid, R.McQuaid@napier.ac.uk

**UNIVERSITA COMMERCIALE 'LUIGI BOCCONI'**  
**Department of Policy Analysis and Public Management (PAM)**  
Paolo R. Graziano, paolo.graziano@unibocconi.it

**INSTITUT D'ETUDES POLITIQUES DE BORDEAUX**  
**Centre Emile Durkheim (CED)**  
Thierry Berthet, t.berthet@sciencespobordeaux.fr

**STOCKHOLMS UNIVERSITET**  
**Stockholm Centre for Organizational Research**  
Christina Garsten, christina.garsten@socant.su.se

**UNIVERSITET WARSZAWSKI**  
**Instytut Socjologii (ISUW)**  
Slawomir Mandes, slawomir.mandes@gmail.com

**Funding**

**FP7 Framework Programme for Research in the European Union – Collaborative Project**

**Duration**

**July 2011 – June 2014**

**Budget**

**1.415.059,00 €**

**Website**

<http://www.localise-research.eu/>

**For more information:**

**Patrizia Aurich**  
*patrizia.aurich@uni-oldenburg.de*

Publications in the frame of the project and beyond are available on the project website <http://www.localise-research.eu> under “Publications”