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The European Semester and Social Investment: Addressing the funding gap in social services

This is a report by the European Association of Service providers for Persons with Disabilities (EASPD).

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Introduction

The European Semester should recognise and support the need for increased public funding and investment in social services in Europe. Social services play a vital role in society, providing care and support to those who require it and enabling the inclusion and participation of everyone in the community. The sector is growing rapidly and to ensure that social services can provide high-quality community based services, which meet the needs of Europe's citizens, the European Association of Service providers for Persons with Disabilities (EASPD) recommends the European Semester to look at the sector as an investment for the Future of Europe rather than a cost.

Demographic changes, particularly Europe's ageing population, is a driving force behind this growth. The proclamation of the European Pillar of Social Rights, on the 17th November 2017, has committed the European Union to the delivery of a more social, fairer Europe. To fulfil this commitment the EU will rely on the provision of high quality social services. Investment into social services should not just be supported out of necessity however and social services create opportunities to provide inclusive job opportunities, protect the work-life balance of individuals, support local economies and foster inclusive growth.

Despite the importance of investment into social services, and the increasing social priorities of the European Union, the European Semester's support for investment into the sector is not fully in alignment with the social investment approach. The Council of the European Union has recently highlighted the lack of investment into the social sector with its recommendation for the development of "a clear strategy and strong investment" to ensure the provision of modern high-quality community-based services.[1] The Council's recommendation underlines that increased investment into the social sector is a priority and that more must be done to support this.

This report argues why the European Semester should support increased investment into social services and offers suggestions as to how it can do this. The report is separated into the following chapters:

Chapter I: Social Services in the European Union today, defines what EASPD understands social services to be and provides an explanation of the most common funding models that support social services today. This chapter also emphasises the importance of the human rights model of service provision and the development of high-quality, person-centred community based services.

Chapter II: Why invest in social services?, addresses the investment needs of social services and the opportunities the sector provides to contribute to the achievement of the European Semester's key economic and social goals.

[1] Council of the European Union, 'Enhancing Community-based Support and Care for Independent Living,' 2017

Chapter III: Investment in Social Services and the European Semester, identifies the European Commission's understanding that the provision of high-quality social services has social and economic importance. The chapter also assesses what the European Semester is already doing, through its Annual Growth Survey, Country Specific Reports and Country Specific Recommendations, to support investment into social services.

Chapter IV: How can the European Semester further promote investment in social services?, presents several suggestions as to how the European Commission can support both public and private investment into social services through the European Semester. These recommendations will do more than focus on short term fiscal considerations but will address a wider social investment approach.

Chapter V: National recommendations to support investment in social services, focuses on national messages on what changes are needed to boost investment into social services.

This report will conclude with remarks as to why the European Semester should support the increased investment opportunities in the European Semester process and how this should be done.

Chapter I: Social services in the European Union today

Defining social services

Social services are a range of essential public services which provide support and care to all people who may require such help. For the purpose of this report, social services should be understood as care and support services for older people, people with disabilities and children, as well as services to reach excluded and disadvantaged individuals (migrants, roma, mental health services, families, etc).

Social services can include (among others):

- employment and training services, such as supported employment, vocational education and training, sheltered workshops, etc;
- education services, such as special schools for persons with disabilities, or specialised support in mainstream schools, etc;
- child care and early intervention services;
- short, medium and long-term care, such as independent living services, supported living, semi-residential care, residential care, respite care, day care, shelters, etc;
- social housing;
- social assistance services.

These services ensure the inclusion of all within society allowing every individual to actively participate in the labour market, education system and their community.

The need for person-centred community-based services

There has been a shift in mentality of social service provision over the last few decades: away from focusing on isolated social issues and instead considering individuals as a part of a family and wider community. This shift in mentality is in large part due to the growing impact of the human rights model on service provision which has been strengthened by the ratification of the UN Convention on the Rights of Persons with Disabilities (UN CRPD) by the European Union and 27 of its Member States. The UN CRPD defines disability as an evolving concept, which results from the "interaction between persons with impairments and the attitudinal and environmental barriers that hinder their full and effective participation in society." This means that as a society we must work to remove environmental barriers and change societal attitudes so that people with disabilities are acknowledged as people with rights and abilities and can participate fully in society.

To adapt to this human rights model, social services must become more person-centred and community-based and place the individual in control of his/her support on a day-to-day basis. These services must also be accessible, adaptable, affordable and available to all people who require such support. The provision of high quality social services, which meet these conditions, are vital to help people fully enjoy their social rights, to live with dignity, receive an education and actively participate in the economy.

To facilitate the development of these high-quality services sufficient funding is needed to ensure the construction of modern, fit-for-purpose, community-based infrastructure and the presence of well-paid and well-trained care and support staff.

The funding of social services

In Europe today social service providers take three main legal forms: public, private and private not-for-profit, the majority being private not-for-profit organisations. Currently the main funding model for these services is for local and regional authorities to procure out or subcontract the actual service provision to a private organisation (either not-for-profit or for-profit). Other models exist, for example, local and regional authorities may monitor, fund and provide the service themselves (primarily in the Nordic countries and in central and eastern Europe) or individuals may pay for the services themselves; either from their own pocket or through public subsidies.

Although there are many ways in which the funding for social services can be sourced, crucial to these funding models is the responsibility of public authorities to ensure that sufficient funding is directed towards quality.

Public authorities, especially in times of austerity, often struggle to sufficiently fund social services and current levels of public investment are simply not enough. The High-Level Taskforce on Social Infrastructure estimates that the current levels of investment into health and long-term care infrastructure are around €75 billion per year, or 0.5% of the EU GDP. The same estimates argue that a minimum of €50 billion per annum worth of investment into social infrastructure would be necessary if Europe is to provide quality community-based social care and support to all people in need. It is important to note that gathering data on the funding of social services is particularly difficult due to the variety of funding sources and definitions used at national or even regional level. EASPD would stress however that these figures should be understood as an absolute minimum. Furthermore, these figures do not take into account the day to day cost of service provision; which covers an estimated 80% of social services' expenditure. As a result, additional funding is needed to support the running of social services.

Alternative instruments and tools are needed to make the most out of public investment and ensure the presence of quality community-based care and support services, with sufficiently paid staff. Specifically, complementary private investment instruments can help to better manage and boost, rather than replace, public investment into the sector.

The Investment Plan for Europe, developed by the European Union and European Investment Bank, is one such instrument which can help to facilitate the use of complementary public/private investment partnerships for social service providers. The main operational arm of the Investment Plan is the European Fund for Strategic Investment (EFSI). The Fund uses EU money as a guarantee for private investors, to make better quality loans more accessible. Although EFSI has proved itself to be a successful financial tool that, as of July 2017, has unlocked €268.90 billion into the European economy, only 4% of this total investment has supported social infrastructure. Furthermore, it is estimated that, at the very most, the use of EFSI by the social care and support sector is limited to 1% of the overall investment. Misconceptions, poor communication, expertise gaps and unsuitable tools and instruments have all been identified as barriers which hinder the access social services have to EFSI and the private investment opportunities it provides. More must be done to remove these barriers and unlock investment opportunities for social service providers.

In its recent report 'Investing in Social Care & Support A European Imperative' EASPD has proposed a European Strategy for Quality Social Infrastructure which could be used by the EU and Member States to unlock investment in the sector. This Strategy would include a European Fund for Social Infrastructure Development that will help social service providers gain access to financing at a better rate, by using EU money as a guarantee for private investors. This guarantee would reduce the risk private investors associate with investment in the social sector, increasing the attractiveness of social infrastructure projects to the financial sector. The Strategy would make use of partnerships between public authorities and private investors to support the development of social services and unlock further investment in the sector.

Chapter II: Why invest in social services?

Demographic change

The demographic changes the European Union is beginning, and will continue to, experience is one indisputable argument for the need to increase investment in social services. The number of people over the age of 80 living in the EU is expected to rise from 27 million people in 2016 to 63 million people in 2060. The percentage of people between 65 and 79 years old will increase from 18.9% in 2015 to 29% in 2060.[2] With this growth in Europe's elderly population the demand for quality elderly care and support services is expected to increase dramatically over the coming decades. Member States must fulfil their social obligation and help to meet this demand.

The European Pillar of Social Rights

The recent proclamation of the European Pillar of Social Rights (EPSR), by the leaders of the EU institutions, on the 17th November 2017, has committed the European Union to strengthening its social dimension. The EPSR outlines 20 key principles and rights regarding equal opportunities, access to the labour market, fair working conditions, social protection and inclusion. When implemented fully these principles will increase the convergence of social and economic goals in the EU. The newly developed Social Scoreboard will monitor the progress of the EPSR, by tracking trends and performances across EU countries in 12 areas. The results of this assessment will feed into the European Semester of economic policy coordination and be used to determine the EU's progression towards a "social triple A."

[2] European Commission: Ageing Report 2015

Of the Pillar's 20 principles at least 10 rely on the provision of high quality social services for their full implementation.

- Principle 01 – Social services assist in the achievement of **inclusive education, training and**
  life-long learning by supporting all people to have access to such opportunities.
- Principle 02 – Social services support **gender equality** by providing care and support to enable parents, often women, the choice to work if they wish to.
- Principle 03 – Social services support **equal opportunities**, by helping all people to access employment, social protection, education and access to goods and services.
- Principle 04 – Social services assist in the achievement of **active support to employment**, by providing personalised, continuous and consistent support to help disadvantaged people onto the labour market.
- Principle 09 – Social services support **work-life balance,** by providing care services to those who need it.
- Principle 11 – Social services help the provision of **childcare and support to children**, by providing childcare services to those who need it, as well as additional support for disadvantaged people.
- Principle 17 – Social services support the **inclusion of people with disabilities**, by providing services that enable people with disabilities to participate in society and in the labour market.
- Principle 18 – Social services support the provision of **long-term care**, by providing quality, community-based long-term care services to people who need it.
- Principle 19 – Social services assist the provision of **housing and assistance for the homeless***,* by providing support services for homeless people.
- Principle 20 – Social services help to increase **access to essential services**, by helping disadvantaged people to access essential services.

To secure the successful implementation of each of the EPSR's principles the provision of high quality community-based social services, with well-trained staff, is essential. As our national reports highlight the levels of funding social services receive today is not enough to support the complete application of the EPSR and more investment into the sector is needed.

Support for local economic growth

Social services must not be viewed as a cost which must be borne however, rather they should be seen as an opportunity for Europe. As a rapidly growing sector, social services have the potential to be an even more important economic and social contributor: providing jobs, supporting local economies; insuring the inclusion of all in society and contributing to the health and overall wellbeing of the citizens of Europe.

A recent study into social care in the UK supports this argument and the report concluded that social care is "a major economic sector with the potential to deliver inclusive prosperity" across the region they operate in.[3] The report highlighted that community-scale social care services are able to stimulate local economic growth because they:

- meet local needs;
- provide opportunities to retain value locally and support the local economy;
- require employees with soft skills, which most people already possess, making it easier hire people into the sector and;
- can help to increase the economic efficiency and resilience of small-scale, community or not for profit ownership models.

Job creation and employment opportunities

In absolute figures, European Commission statistics show that the social services sector employs over 10,106,800 people. In terms of economic output, the Health and Social services sector represents a 7th of EU GDP.[4] Additional statistics by the European Commission show that today, the social services sector is one of the biggest job creators in Europe, with over 1.75 million new jobs created between 2008 and 2015. When the job creation in health and social services as a whole is assessed, the social services sector represents the majority (58%) of new jobs created. It is important to note that this growth was achieved at a time when public funding to the sector was cut -in real terms- in most, if not all, EU Member States. Many of these jobs will remain secure despite the digitalisation of society as a 'human' element of support and care services will always be necessary.

This potential for social services to stimulate job creation and support employment extends further than the jobs created by the services themselves. As a part of their role, to ensure social inclusion, social service providers help, directly or indirectly, those who are excluded from the labour market to find jobs, therefore contributing to a stronger and more inclusive economy. For instance, a 2016 study by Dr Stephen Beyer and Dr Annie Beyer on the economic impact of inclusion in the open labour market for persons with disabilities shows that "disabled people, government and taxpayers are likely to benefit financially in the long-term from greater investment in employment in the open labour market for persons with disabilities." Finally, the provision of high-quality social services enables groups who are often excluded from the labour markets, such as informal care givers or women, to participate in the labour markets more frequently. These increased employment opportunities aid financial independence; increase economic prosperity; reduce inequality and prevent the health risks linked to long-term unemployment.

Work-Life Balance for Parents and Carers

The provision of social services also supports the European Commission's recent proposal for a Directive on Work-Life Balance for Parents and Carers. The availability of high-quality, affordable support services, such as childcare and long-term care, are vital to protect the work-life balance of individuals and their right to enjoy their family life in dignity.

[3] 'Social care as a local economic solution for the West Midlands' (2017)

[4] European Commission, 'European Semester Thematic Fiche: Health and Health Systems' (2016) :

Person centred community-based social services not only ensure social cohesion and the participation of all of society but they are also a powerful economic tool. Acting now and investing in high-quality social services will allow Europe to make the most of the opportunity it has been presented with; meet the future demand of its aging society and facilitate inclusive growth in a stable, unified Europe.

In their recent draft conclusions on 'Enhancing Community-based Support and Care for Independent Living,' the Council of the European Union promoted the development of community-based support services and the need for investment in them.[5] The Council highlighted that the "clear and significant" move towards community-based support and care options across Europe is a positive one which helps to fulfil EU objectives to promote economic and social cohesion; combat social exclusion and discrimination and promote a high level of employment and social protection. The Council emphasised that "a clear strategy and strong investment should be provided to develop modern high-quality community-based services and to increase support for caregivers, especially family carers." These comments were joined by a recommendation to the Commission to continue to support the launch of structural reforms and the testing of new models and tools for care delivery through the use of European Structural and Investment Funds (ESIF), the Structural Reform Support Programme (SRSP) and other appropriate funding schemes such as the European Union Programme for Employment and Social Innovation (EaSI) and Horizon 2020.

[5] Enhancing Community-Based Support and Care for Independent Living-Council Conclusions, Council of the European Union (2017)

Chapter III: Investment in Social Services and the European Semester

The European Semester provides a multiannual framework which enables Member States to coordinate their economic policies across the European Union (EU) and monitor their progress throughout the year. The Semester's key objectives are to contribute to:

- ensuring convergence and stability in the EU;
- ensuring sound public finances;
- foster economic growth;
- prevent excessive macroeconomic imbalances in the EU and;
- implement the Europe 2020 strategy.

The Semester's cycle begins in November when the European Commission publishes its Annual Growth Survey (AGS). The AGS outlines the European Union's most urgent economic and social priorities which the EU and its Member States must focus on over the next semester. Next the Commission publishes individual country reports for each Member State, assessing their economic and social policies. These reports are generally published in February and are used by the Commission, in conjunction with the national reform and stability/convergence programmes submitted by every state, to provide country-specific recommendations in May or June. These Country-Specific Recommendations provide each Member State with individual economic and budgetary policy recommendations which are to be incorporated into their reform plans and national budgets the following year.

The European Semester and the need for social services

Although primarily a financial framework, the Annual Growth Surveys of 2017 and 2018 (published in November 2016 and November 2017 respectively) maintain an increasingly social dimension and promote social policies as priorities of the EU and its Member States. This social dimension already includes an understanding that the provision of high-quality social services is vital for empowering people and integrating them into the labour market, helping to achieve the Semester's objectives in economic growth and employment. This understanding must also be included in the fiscal policies of the Semester if Member States are to recognise investment into social services as a priority.

For example, the 2017 AGS highlights that, "growth and social fairness go hand in hand" and that "investments also need to focus on human capital and social infrastructure." In particular the 2017 AGS advises that Member States must ensure access to quality services and in-kind benefits, such as childcare, housing, healthcare and long-term care, education and training to contribute to increased labour market participation and social inclusion. Unfortunately, this focus on investment into human capital and social infrastructure often appears to be subordinate to the EU's fiscal requirements which have very often led to cuts in such investment.

The subsequent Country Reports, published in February 2017, and Country Specific Recommendations (CSRs), published in May 2017, do begin to reinforce the increasingly social dimension of the European Semester. This is first seen in the Country Reports, which identify social policies as a reform priority and contain a short analysis of social issues without a mention of the status of social services. In several of the CSRs' preambles the Commission references the need for integrated high quality social services. The Commission highlights the need to coordinate inclusion income with well-integrated services in Italy's preamble and in Slovenia's it notes that the development of an integrated long-term care system is a challenge that should be addressed. For Ireland, the Commission suggests that a stronger primary care sector would be of benefit to the country while in Croatia's preamble attention is drawn to the shortcomings of its social protection system. These shortcomings are addressed in Croatia's CSRs and the Croatian government is recommended to enhance the efficiency and reduce the territorial disparity in the delivery of public services. In the preamble of Estonia's CSRs the Commission praises the government's action to ensure the provision and accessibility of high-quality services, including social services, at local level.

The focus of this social dimension is overwhelmingly to support increased employment levels and the productivity of Member States. Of the 12 CSRs which directly reference the need for improved or expanded social services 10 make reference to employment services (BL, BG, CY, ES, FR, HU, IE, PL, RO, SK). In these recommendations the Commission advises Member States to provide integrated social services (BG, ES, RO) to support inclusive labour market access (CY, ES, FR, HU, PL, RO, SK, IE).

Austria's recommendation, to improve the provision of full-time care services, is for the primary aim of increasing the labour market outcomes of women. Extending the availability of affordable child care services is refenced in Spain and Slovakia's recommendations to improve family support and activation measures for disadvantaged groups. The need for high-quality childcare services also features in the preamble of the UK's CSRs. The Commission highlights the lack of child and social care as a barrier to participation of women in full-time employment in UK.

Six of the CSRs which make refence to social services refer to the need to provide inclusive education systems (AU, BL, FR, HU, RO, SK). To achieve this, Member States will require social services to help them reach out and support the most disadvantaged individuals, such as roma and people with disabilities. Lastly, the Commission provides only one recommendation each for the improvement of social housing and the adequacy and coverage of social assistance (IE, HU).

The 2018 AGS emphasises the social priorities of the European Union and its Member States further though its commitment to the EPSR. The convergence between the objectives of the European Semester and the overarching principles of the EPSR can be clearly identified in the 2018 AGS. The importance of social services, to achieve these objectives, is also evident.

- To successfully ensure **equal opportunities and access to the labour market** the European Commission recommends that Member States "should help those out of work by providing support for job search, training and re-qualification;" protect those unable to participate in employment and "also work towards more effective and tailor-made public employment services." The Commission also recommends that more efforts should be made to ensure the equal opportunities and access to education and training for everyone, including disadvantaged groups.
- To facilitate **job creation and fair working conditions** the Commission asserts that "barriers to employment should be reduced, especially for disadvantaged groups," including people with disabilities. The Commission adds that these efforts, to integrate the labour market, "must be combined with social integration support, such as childcare, access to healthcare and housing." Finally, the Commission also advocates for "short-term efforts to integrate refugees and migrants in the labour market" and provide them with access to education and training opportunities.
- To achieve improvements in **social protection and inclusion to tackle inequality and poverty** the Commission advocates that Europeans must have access to affordable, accessible and quality social services, "such as childcare, out-of-school-care, education, training, housing, health services and long-term care" on an equal basis. To ensure that Europe can meet the demands of its aging population the Commission highlights the importance of ensuring access good quality, affordable healthcare and long-term care services.

The 2018 AGS asserts that the EPSR "should be used as a compass for renewed convergence" towards better working and living conditions. If correctly implemented the EPSR, with the endorsement of the Semester, can help to create a more socially responsible, inclusive Europe which proves that the EU with a clear framework for social investment needs.

The European Semester and the promotion of investment in social services

Despite the important role social services can play in the achievement of the European Semester's objectives, the priorities of the Semester to address macroeconomic imbalances and to achieve a positive fiscal stance in the Euro area has caused many Member States to continue to cut funding to these services. Consequently, social services today often struggle to meet everyday costs and are unable to consider investing in the development of modern, fit-for-purpose, community-based services which support inclusive growth and employment. The national needs of social services are further explained in the national reports in the next chapter.

Although the 2017 AGS recommended that investments made in in Member States need to focus on human capital and social infrastructure, particularly for the development of long-term care services and affordable and flexible childcare facilities, the Country Specific Reports do not always analyse the status of investment into the social services sector nor do the CSRs consistently recognise the need for social investment.

Only three CSRs actively promote social infrastructure investment (BE, DE, IE) and not all of these highlight social services as a priority within this increased investment. In Belgium, the Commission recommends that the government improve the composition of public spending to create room for infrastructure investment, however it names investment into transport infrastructure as a priority. In Germany, it is recommended that public investment is accelerated at all levels of government, especially in education, research and innovation; yet the need for investment in social services is not acknowledged. More promisingly, Ireland received one recommendation on the enhancement of social infrastructure, including social housing and quality childcare.

The Commission's Communication on the CSRs provides an additional, encouraging message with its acknowledgement that many Member States need to invest in public housing, education, health and social services. Unfortunately, this increased public investment is only advised in "countries where there is room to increase public expenditure."[6] Support for increased public spending in these sectors should not just be confined to those countries who have achieved a "sound budgetary position," however and this reinforces the notion that funding into social services is simply a cost rather than an investment opportunity. Having highlighted the need for investment into social services, and the importance of social priorities to the European reform agenda, the Commission should now recognise social services as a powerful economic tool and consistently support social investment within the CSRs to help Member States achieve inclusive growth, sound finances and stability.

The CSRs supporting social investment are joined by a worrying trend however, which encourages Member States to increase the "cost-effectiveness" of services. Latvia and Finland received CSRs to increase the cost-effectiveness of their social and healthcare systems while Lithuania and the Czech Republic were told to improve the efficiency of public investment. The preambles of other Member State's CSRs also highlight this trend. The Commission comments that, given tight budget constraints, the Belgian government should restructure the composition of overall public spending by improving the efficiency of public services and policies. To ensure the sustainability of healthcare, education and training and social security in Malta, the government is advised to perform ongoing spending reviews and introduce performance-based public spending while the Commission suggests that Slovenia should adopt the planned reform of long-term care, to increase its cost-effectiveness, accessibility and quality.

Insuring the efficiency and effectiveness of social service funding and provision is both important and necessary. Measures to increase cost-efficiency must be managed carefully however, to ensure that they do not simply lead to the cutting of social service funding and instead there should be a focus on investing in quality. The cost-effective recommendations of the Semester are founded upon concerns that the costs of healthcare and social services

[6] European Commission, 'Communication on the 2017 European Semester: Country-specific recommendations,' 2017

are rising due to increasing demand. This increasing demand, largely cause by demographic changes, is expected to raise the cost of services by 90% by 2060. Although the improved efficiency and effectiveness of a service can diminish the cost per individual, it will not be enough to diminish the cost as a whole. As a result, Member States must do more than implement cost-effectiveness reforms and they should provide additional investment into social services. It is more efficient to do this now, so that social services are ready to meet the increase in demand, rather than struggle to react later when social services are under even greater strain. Moreover, the provision of community based, person-centred services are recognised as being better than institutional services at supporting the active participation of all people in employment, education and society. Following the paradigm shift and the impact of the human rights based model on service provision person-centred, community based services are accepted as the norm to achieve and we must invest in the development of social services to meet this standard.

The 2018 AGS addresses investment in the social sector but provides a mixed message on the funding of social services. The Survey begins by recommending that some Member States should safeguard and even increase public investment in order to strengthen the growth potential of the euro area economies and highlighting that targeted investment into infrastructure, education, training and health can raise productivity. These comments are balanced by the Commission's calls for Member States to improve the composition of public financing to deliver more efficient public spending and to reform public administration to achieve fast and significant cost savings.

The 2018 AGS also comments on alternative investment opportunities for social services, with the argument that a "greater private sector contribution to human capital development and infrastructure projects would complement and leverage public sector support." The AGS continues with the argument that there would be merit in "establishing a financial framework conducive to investment and the mobilisation of private capital that also allows the combination of financial instruments and grants to help projects get off the ground." This use of financial frameworks and private capital could be of benefit to the social sector if sufficient public funding is first made available. Private funding must boost, not replace, public funding and it is essential that public authorities are encouraged to meet their responsibilities and help to facilitate the provision of high-quality, community-based services. It is also crucial to note that continuous public funding is crucial to secure the effective uptake of private financing.

How can the European Semester further promote investment in social services?

Boosting investment is a core aim of the European Semester and together, along with the pursuit of structural reforms and the implementation of responsible fiscal policies it forms the Semester's 'virtuous triangle.' This investment is rarely directed towards social issues however and of the 75 country specific recommendations only three directly promote increased social investment in terms of actual fiscal expenditure.

The increased emphasis of social priorities in the European Semester and its commitment to the EPSR has increased the role high-quality social services play in the achievement of the European Semester's objectives. To support the provision of these high-quality services, and achievement of the European Semester's objectives, investment into quality, community based social services is needed. Although the 2018 AGS has highlighted the willingness of the European Commission to explore how to encourage investment into human capital development and infrastructure projects, using different financial tools and private investment opportunities, these activities must be supported by increased public investment. It is only with the sufficient public funding of social services that private investment opportunities are able to boost social investment and support the development of high quality community based services, which help everyone to actively participate in society and the labour market.

To support the increased investment into social services EASPD recommends the European Commission to:

- **Strengthen the narrative of social investment in the European Semester, in particular in the domain of public investment, to reflect the opportunities it provides for inclusive growth, social cohesion and fiscal stability.** Social investment should not just be seen as a cost, as social services contribute economically and socially to the growth, cohesion and stability of European Member States and therefore to the long-term sustainability of the financial situation of Member States. To be able to realise these opportunities we must challenge the dominant narrative which focuses on increasing the cost-efficiency (i.e. more for less for the sake of cost) of services and instead concentrate on investing in the provision of high-quality services (i.e. better return on investment), in all Member States, for the benefit of their economies and the wellbeing of their citizens.

- **Collect data and include targeted reporting on the status of social investment in each county specific report.** This reporting should include information on the status of public and private investment into social services and a sectoral breakdown of investment allocation. Such analysis would raise the profile of social service investment within the European Semester process and establish it as a priority. The collection of sector specific data will also help us better understand the social investment needs of Europe and prepare effective legislative and financial solutions to help the social sector support the priorities of the Semester.

- **Increase the importance of public investment into social services in the CSRs.** The development of high-quality social services is a priority for the social and economic wellbeing of member states. The European Semester should do more to encourage Member States to invest in social services through their Country Specific Recommendations, regardless of a Members State's fiscal status. EU funding schemes such as ESIF and EaSI, which are tied to the implementation of the CSRs, can assist Member States with their increased investment into social services.

- **Boost public investment with the help of financial instruments, including the European Fund for Strategic Investment (EFSI)**. The use of financial instruments, which unlock more sustainable private funding opportunities, can supplement and reinforce public investment into social services. The availability of these additional funds will assist the social sector in the development of person-centred, community-based support services. To successfully secure investment into the social sector EASPD proposes a European Strategy for Quality Social Infrastructure which will help to establish a fund for social infrastructure development; encourage the blending of funding from both public and private sources and provide stewardship to all parties involved.

To provide more detailed information on the investment needs of social services across Europe we have developed national messages, which can be found in the following chapter.

National recommendations to support investment in social services

Supporting investment into social services in Austria

State of Play

In Austria, social support services are the responsibility of the nine regions of the federal state. These services are predominantly supported through funding and investment from public authorities. The regulations of these authorities only allow the funding for part of, or the exact costs of, the services and will not cover any additional financial costs meaning that organisations often remain in a mode of financial crisis.

Alternative sources of funding include small private donor funds which are the result of fundraising activities and fund investments. In the regions of Burgenland and Upper Austria structural funds through the European Structural Funds (ESF) and European Structural and Investment Funds (ESIF) are of high importance to service providers for investment into infrastructure and innovation.

Problems

There are a number of issues regarding the funding and financing of social services in Austria which hinders their ability to invest in the provision of high quality services.

- The availability of data is a major issue when assessing the financing of social services and more needs to be done to collect relevant data on the financing and funding needs of social services.
- In some regions in Austria (Vorarlberg, Tirol, Styria) authorities have reduced the funding available for social services. This reduced funding means that many organisations have a negative equity. This negative equity has further implications for service providers and their complete dependence on public authorities as, an important precondition in all regions in Austria, with the exception of Upper Austria, is that to access private finances service providers must have a positive equity.
- The lack of funding has also impacted the investment being made into innovating services which is needed to fully implement the UN CRPD. Service providers from the regions Salzburg, Upper Austria, Vorarlberg, Tirol, Carinthia, Styria have all highlighted that due to the current funding structures investment into innovation is not feasible. The investments in infrastructure in some regions (Upper Austria, Vienna, Vorarlberg) can only be financed after intensive negotiations with the regional authorities, in other regions (Salzburg and Kärnten), they are only partly financed.
- Social services providers in most regions of Austria, with the exception of Burgenland, find it difficult to access private funding from banks due to the strict and complex demands private investors place on social services.

Future opportunities and investment needs of social services

The need for loans in Austria will increase in the future and social services in almost all regions in Austria reported unmet needs. Investment opportunities identified were:

- Making cities and transport accessible.
- The deinstitutionalisation of large institutions, in particular one in Styria which is used by 600 people.
- The development and foundation of new social enterprises to employ persons with disabilities in the open labour market.
- The growing number of elderly people as well as people with disabilities and refugees who will need accessible private flats.
- The development of new concepts for social regional development to ensure that people with support needs (because of disability, old age, ect) are able to fully participate in their communities.

To support these investment needs private financing instruments need to adapt their assessment procedures for social organisations to make their financing opportunities more accessible to social services. To further enable social services to benefit from the investment opportunities banks provide, social services should be supported, or coached, through the assessment process.

The status of social enterprises must also be addressed and awareness should be raised for the advantages good cooperation between social enterprises and responsible authorities can have for providing support and care for all those who require it. Austrian service providers also called for more awareness to be raised of the value of a more social Europe, which leaves nobody behind, and the importance this has on securing Europe's status as a strong economic region.

Supporting investment into social services in Belgium

State of Play

The financing needs of the social services sector in Belgium are strong but not homogeneous. Companies in the social profit sector present a multitude of realities and specificities relating to their sector of activity, their size, their internal skills (human resources and human capital), their mission, and so on. Consequently, these realities and specificities are also reflected in their different financing needs.

Currently it is estimated that € 3.5 billion is invested into social services annually. This represents 3.8% of total investment in Belgium and a dynamic growth of investment by non-profit organisations which is higher than investment in the total economy. Companies within the social sector make little use of bank credit to finance their investments however.

Problems

There are several issues which inhibit the access social services have to alternative opportunities to finance these investments.

- The current structures and work methodologies of social services are not always set up in a way that private investors are used to. The same can be true for the structures and work methodologies of private investors, and these systems are not always

conducive for investment into social services. This expertise gap must be addressed to open the social sector to the investment opportunities provided by the private sector.
- Social services and the financial sector both hold many misconceptions about each other. These misconceptions are exacerbated by a poor system of communication between the two sides which means that these misconceptions are rarely challenged, but rather entrenched.
- Many products or systems provided by private investment tools are reserved for investments representing very large amounts, making them inaccessible to most social services providers in Belgium who are usually SMEs.

Future opportunities and investment needs of social services

The efforts of many social service providers in Belgium, to innovate develop their services, despite the underfunding of the sector is encouraging for the resilience of the sector. Some lucrative investment initiatives are emerging from this innovation, in high-demand sectors such as elderly, disabled and early childhood services.

These lucrative investment initiatives should stand as proof that social services can be advantageous investment opportunities for private investors. The financial sector must now work with the social services sector to improve their channels of communication and adapt their structures and methodologies to create a better environment for social investment.

The financial tools available to social services must also be adapted, to take into account the smaller size of social service organisations in comparison to the usual partners of banks. The adaptation of these financial tools should also accommodate and anticipate foreseeable developments in each subsector of the social sector such as changes in subsidies, the phenomenon of business clustering, profit-making or demographic change. It would therefore be wise to develop financing tools that integrate these developments and allow private investors to better respond to the dynamics and challenges which are imposed on social service providers. To support this adaptation and the diversity of project sizes, European funding initiatives such the establishment of a continuum of offers and guarantees of financing should be explored further.

The access all partners have to information is another central issue that must be approved. Relevant information could be better disseminated by bringing intermediaries closer to social service mangers. These intermediaries should also be able to provide additional support and assistant to these by helping them to sort out and quickly identify financing opportunities that are best suited to the specific needs of businesses.

Through the modernisation of social services’ sources of funding and financing Belgium’s social sector will be better equipped to meet the needs of Belgium’s citizens and safeguard EU’s social goals.

Supporting investment into social services in Czech Republic

State of Play

Generally, social services providers in the Czech Republic are divided into two categories: governmental and non-governmental organizations, both being of a non-profit nature. It is also possible in the Czech Republic to provide care with a self-employment license without access to public funding.

Social services are provided as services of general interest and the financial system for them is the system of compensatory payments. The decision-making process concerning the systems of public funding is decentralised to the regional level and it is regional authorities who decide which system of public funding to use for social services. The amount of funding for specific types of social services is not stated by the Law. It is instead a matter of internal criteria of the regional authorities and municipalities and of negotiations. Predominantly, social services in the Czech Republic are dependent on public funding and public funds consists of 50-90% of social services total budget.

Additional public investment, available to both governmental and non-governmental providers come from three main sources.

1. **European Structural and Investment Funds (ESIF), mainly Integrated Regional Operational Programme (IROP)-** The IROP helps social services to increase the quality of services from the material point of view. There was also a number of calls for support of staff training, building innovative methods of work, sharing experience, building networks. The main issues for smaller NGOs are related to the system of post-financing of a project when the provider has to finance the investment from own sources or from loans and then the costs are reimbursed. The IROP funding is focused on certain target groups linked to the topic of active inclusion in the labour market. There are different types of services that are not focused on the inclusion in the labour market, but are rather care based (mainly services for the elderly and people with disabilities) and for these services it is not possible to reach the IROP funding at all.
2. **National fund for investments run by Ministry of Labour and Social Affairs**- This fund is created by the government to support the quality of the infrastructure of social services and is accessible for all social services providers with registered social services. But the fund has very limited financial capacity which allows to cover investment needs of around 5% of the applicants.
3. **Regional/municipal funding within the self-governed budgets**- Over the last few years there has been an increase in investments co-funded from the budgets of regional authorities or municipalities. This funding is focused on smaller investments however and regional/local funds are not suitable for big infrastructural investments.

Since 1990´s and the development of the civil society in the Czech Republic a number of private foundations have been established by companies and civil activists. These foundations have created a “network” of various calls for grants and project ideas that are available for social service providers, but also for civic associations, groups of volunteers and various activists. NGOs frequently use these funds to co-finance activities that are offered to clients not only in the framework of a registered service, but also as an additional offer to support better inclusion in the society, better conditions or advocacy work. These projects are still a very minor part of the budgets of social services, usually small in size and are focused on very concrete groups of people or local initiatives.

The social sector is perceived as a sector of a non-profit nature which is quite unattractive for the banks and financial institutions and social services especially those which are smaller NGOs struggle to get loans for investments and/or operational costs.

Problems

Social services in the Czech Republic face a number of problems as a result of a lack of funding or financing of investment into the sector.

- Compared to other sectors, such as education or health care, the social service sector is under financed and there is a lack of financial sources to meet the needs of the sector. This under-financing has negative effects on the status of the profession, the level of salaries and the employment policies in the sector.
- The salaries in the sector of social services are 23% lower than the average salaries in the Czech Republic. This situation causes a lack of staff for direct care and lack of social workers in the sector as qualified staff leave to other sectors and professions with better conditions. Recently the Ministry of Labour and Social Affairs negotiated the increase in salaries for social service sector (23% for direct care staff). This salary raise is applicable only for governmental organizations not for NGOs who have their own system of wages/salaries. This decision has enlarged a gap between the governmental and non-governmental organizations.
- The system of funding in the social services is governed by the regional authorities that set a methodology of using the public funding. These methodologies differ from region to region and are very strict regarding the purpose of use of the public money, which does not allow social service providers to react flexibly to the needs of clients or staff.
- It is not possible to use public funding for any investments and social service providers must explore other options. As the funders of governmental organisations are public entities such as a municipality, ministry or regional authority), the access to funding for investments is better and is possible under the self-governed budget and decisions of the public entity. For NGO’s the access to investment is possible only through private financing, European Structural Funds and sponsorship.
- The emphasis on cost effectiveness is a central topic in the system of public funding. As public budgets remain limited and the need for social services are getting higher, the system is pushing the costs down which is impacting negativity on the quality of the service provision. It is important to search for cost-effective, but not cost-driven ways of funding social services.

Future opportunities and investment needs of social services

Social services in the Czech Republic have begun the process of deinstitutionalisation to meet the human rights model of service provision but more funding and investment is required to continue this process and ensure that the sector can provide high quality support with well-paid and well-trained care and support staff. Importantly the increase in staff wages should be followed by the systematic increase in public funding to ensure that social service providers are able to pay for the higher salaries.

Investment opportunities must also become more available to social service providers, both through public and private sources. Investment funds must be made more accessible to all social service providers to help all members of society actively participate in society. Recently some banks in the Czech Republic have developed a new product; smaller loans for starting a social business, which can help social enterprises to gain investment. Similar efforts should be encouraged to support social service providers who often find the procedure for getting a loan too complicated or that they do not possess enough property to act as a guarantee for a loan.

Emphasis also needs to be placed on the social value social services provide so that so that investors see service providers for the added value they bring. With social services in the Czech Republic working towards the human rights based model of service provision authorities must now also change their attitudes, from thinking only of costs towards thinking about investing into the common well-being and respect of the lives of individuals.

Supporting investment into social services in Finland

State of Play

In Finland the investment into social housing services is an issue within the social sector. Currently there is a national system for housing investments for disadvantaged groups called the National Housing Institute. Through this system different kinds of group home solutions are funded with public money. Additional public funds from STEA (a funding centre for social welfare and health organisations) and SITRA, (an innovation fund and an independent public foundation which operates directly under the supervision of the Finnish Parliament) provide some additional funding to support the innovation of social services.

Over the last few years the health and social sectors have become increasingly privatised by three or four big companies who have centralised the system. This privatisation began with these companies buying and merging a number of smaller companies more recently however, bigger health and social service providers have been taken over by these operations, rapidly increasing their size. These bigger corporations are owned by private multiannual investors, possess more capital and are making a large amount of private investments. The worry with this type of private investment is that any development is being driven by large companies and their wants, rather than addressing the needs of those who require support services. This private investment is steering the services sector as not-for-profit services, who often lack the capital to invest into private money, are unable to access similar investment opportunities.

Problems

There are several issues which Finnish social services identified as investment barriers to the provision of high quality person-centred services.

- There is no general information, data or statistics about investment needs of the sector, making it harder for Finnish social services to identify overall trends and needs which can be addressed.
- Investment is needed to implement the UNCRPD goals in housing, employment, participation and freedom of choice.
- At the moment, there is a big demand for digital investments considering support systems as well as digital platforms and information systems. These investments need to be made over the next few years because of reform in social and health care.
- It must be ensured that the needs of those who require social services are addressed and kept at the centre of the service provision.
- Although it is relatively easy for social services to gain private investment opportunities from banks other private funds are not generally available and in Finland there is no real experience/idea of what private funds/donations are available to support the social sector.

Future opportunities and investment needs of social services

The need for loans in Finland for the sector is increasing and although there is now a lot of action in the housing sector the needs of other areas of innovations have not been targeted. Areas of opportunity for investment include:

- the construction of more accessible, low cost individual flats;
- innovative infrastructure developments to support accessibility;
- the development of appropriate digital platforms and information systems;
- the mainstreaming of investment solutions to support the whole service sector in Finland.

Most importantly social investment in Finland must be centred around the needs of the individuals who use support services and awareness must be raised for the rights these individuals have to participate fully in society with the support innovative, community-based, person-centred services.

Supporting investment into social services in France

State of Play

The financing of services in France is highly complex, and often several public entities as well as health insurance companies finance parts of a more comprehensive service. In general, public financing is split as follows:

- The **State** supports services which provide facilities for the of the inclusion of vulnerable groups onto the labour market, sheltered workshops for persons with disabilities and some childcare services.
- At a **departmental level,** social welfare provisions support services in child protection; social housing; social inclusion; measures to increase or maintain the autonomy of elderly people; social support to children under protection and their families; housing facilities for children and adults with disabilities and elderly people.
- **Public investors**, through health insurance schemes, public investors support care services for children and adults with complex needs; elderly care; the provision of residential care to those who need it; support measures of social integration of persons with disabilities via employment in sheltered workshops (therapeutical support); rehabilitation services and therapeutical facilities for addicts.

In addition to these public financing options around 0-5 % of a service provider's budget is financed via other means, including EU funds and donations from foundations or private donors. This budget is mainly allocated to social innovation projects.

In general, it is rather difficult for service providers to access private financing, although some social impact bonds and bank products specific to the sector exist (e.g. épargne salariale). This is mainly due to the need for a financial return on investment, rather than a social return. Bigger providers find it easier to access loans, whereas smaller services encounter more difficulties, particularly as they do not have the expertise and/or human resources to seek out private investment.

Problems

A number of problems prevent social services in France form accessing alternative investment opportunities. These issues include:

- Private financers are interested in a rather rapid return on investment which means that they often dismiss investment into social services in favour of other opportunities. This problem is exacerbated by the fact that the financing of innovative projects, research and development, which is greatly needed, is often deemed as too risky by private financers. The perceived riskiness of these projects means that banks either refuse to support the investment needs of the service provider or they raise the prices of interest rates and repayments, making them unsustainable for service providers.
- The state does not allow public funds to be used to finance the supplementary costs of private financing, such as interest. This means that social services are unable to boost the funding they receive from public authorities with private investment opportunities.
- There is a lack of social service providers who hold expertise in fund raising or project management to be able to make use of possible private financing opportunities available.

Future opportunities and investment needs of social services

The social sector in France will require increased support from funding and investment in the future for refurbishments to implement the current safety and accessibility standards and to continue the process of deinstitutionalisation to offer more individualised services across France.

Some service providers in France are already trying to find innovate ways to sustainably fund their investment needs and are creating their own foundations and endowment funds or using crowd funding for smaller projects, such as cultural events. More can be done however, to support social service providers gain access to different sources of funding and financing.

Although bigger service providers find it easier to gain access to financing, smaller providers struggle and lack the expertise or resources to utilise private financing tools. It is thus necessary to increase the visibility of and access to other forms of private investment, as well as the expertise and support available. Some specific banking products for the social sector do exist, such as products by the Caisse de depots or the Fond NovESS. Nevertheless, these products are still too expensive for smaller providers and additional products, targeted at smaller service providers and social enterprises should be encouraged.

Supporting investment into social services in Ireland

State of Play

In Ireland the Health Service Executive (HSE) is responsible for the provision of health and personal social services for everyone living in Ireland. This service is publicly funded by the Irish Government through the Department of Health. A small number of Private Service Providers also exist but they too are funded with public money. In 2017 Ireland's social care services were awarded a €3,394million budget to support people with disabilities, the elderly and nursing homes.

HSE is currently undergoing a paradigm shift to build a better health service which is able to meet the needs of its users more effectively. Under this policy approach the ambition is to move away from a traditional model of service, characterised by the delivery of services in segregated settings, towards a modern community based, person-centred model of support. The provision of services to support people with disabilities is of key focus in this paradigm shift and the 'Transforming Lives Programme' aims to create better services for people with disabilities. As a part of this commitment the Irish Government is striving to give people with disabilities greater control, independence and choice in terms of obtaining HSE funded personal social services and supports. In an effort to achieve this aim personalised budgets are being increasingly used to transfer control back to the individual and give them freedom to source the supports which best meets their needs.

To date there is little evidence of the use of investment public private partnerships by disability services and the development of services is predominantly reliant on public funding.

There has also been little exploration of the opportunities provided by private financing tools and again this is an area of investment which is underdeveloped.

Problems

Despite the Irish Government's commitment to deinstitutionalised, person-centred services, social services are still facing several issues in regard to the funding and financing of these developments.

- There are ever-growing financial demands due to the current level of unmet needs which are predominately caused by Ireland's aging population and the costs associated with the provision of services to meet the changing needs of clients.
- The costs associated with the growth in unfunded emergency placements is putting a strain on social services.
- The move towards a community based and person-centred model of service provision is expensive a requires a large amount of additional investment. It is estimated that to close all disability institutions service providers require in excess of €260m, on top of the €100m that has been secured for the next 5 years.
- Additional amounts of limited funding is available through another Government department to cover some of these costs but these funds are difficult to access and come with restrictions.

Future opportunities and investment needs of social services

Ireland's Transforming Lives Programme and efforts to build a better health service through the provision of modern community based, person centred models of support is a radical one which, once achieved will place them at the forefront of service delivery in Europe. The Irish Government's commitment to uphold the rights of its citizens, to fully participate in society through the development of its health and personal services system, is an encouraging start which must be supported by investment.

Initially this investment needs to be significant. Important areas of investment include the construction of new homes within the community, and development of rehabilitation centres to ensure everyone can access services at the right time as close to home as possible, without having to visit acute hospitals. The European Semester has already addressed one of these issues and Ireland's CSR to enhance its social housing investment was one of only three CSRs which directly encouraged social investment. More needs to be done however and the lack private or public/private partnerships should be addressed and the opportunities these financial tools present explored. Social services must be supported in this exploration however and suitable private financing tools must be developed to ensure the sustainable financing of social services in Ireland which can help to develop community based, person-centred services.

Conclusions

High quality community-based social services are crucial for the development of inclusive, cohesive and prosperous societies. The provision of high quality social services creates opportunities to support inclusive job opportunities, protect the work-life balance of individuals, boost local economies and foster inclusive growth. The rapid growth of the sector, driven by demographic changes and the European Union's commitment to the delivery of a more social Europe, following the proclamation of the European Pillar of Social Rights, has further increased the importance of high-quality social services to European Member States.

Social services today often struggle to sufficiently fund the development and provision of these high-quality services however and the current levels of public investment are simply not enough. The sector's access to appropriate levels of funding is further impeded by the difficulty the sector has in utilising alternative private investment instruments, which would help them make best use of public investment into the sector. This funding gap is present across Europe, as seen in our national reports, and more needs to be done to ensure that the sector can fulfil its potential as an important social and economic tool. To help Member States take advantage of the opportunities provided by social services the European Semester should recognise and support the need for increased public funding and investment opportunities in social services in Europe.

Although the European Semester has acknowledged that the provision of high-quality social services is vital to empower and integrate people into the labour market and help achieve the Semester's objectives in economic growth and employment, its support for investment into the sector is not fully in alignment with the social investment approach. To support the increased investment into social services EASPD recommends that the European Commission:

- **Strengthen the narrative of social investment in the European Semester, in particular in the domain of public investment, to reflect the opportunities it provides for inclusive growth, social cohesion and fiscal stability.**
- **Collects data and includes targeted reporting on the status of social investment in each county specific report**.
- **Increases the importance of public investment into social services in the Country Specific Recommendations.**
- **Boosts public investment with the help of financial instruments, including the European Fund for Strategic Investment (EFSI).**

These recommendations, which support the funding of social services through public and private sources, will help to ensure that the investment needs of social services are met, allowing them to contribute to the inclusive economic growth and social cohesion of European societies.

Using the European Pillar of Social Rights as its compass, the European Semester is a crucial tool with which the EU can prove its commitment to creating inclusive growth and achieving a more socially responsible Europe. High quality, community-based social services are another such tool. The European Semester must recognise and support social services' need for increased public funding and investment opportunities if Members States are to be able to make the most of the opportunities these services can provide.

EASPD is the Association of Service providers for Persons with Disabilities. We are a European not-for-profit organisation representing over 15,000 social services and disability organisations across Europe. The main objective of EASPD is to promote equal opportunities for people with disabilities through effective and high-quality service systems.

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