

Implementation Assessment of Social Country Specific Recommendations 2015

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This report was produced by Caritas Europa and its members from 16 EU countries working on the grass-roots level with people facing unemployment, social exclusion and poverty. Caritas member organisations from these countries were requested to assess if and how the Country Specific Recommendations (CSRs) related with poverty reduction and employment growth have been implemented nationally/on the ground since their endorsement last July 2015. For some of these countries, specific feedback on the positive or negative impact of the CSRs on the situation of vulnerable groups is also provided.

Caritas member organisations were tasked to monitor the progress of previous CSRs (2014 and earlier) in order to assess their long term impact on legislation and on people experiencing poverty. In 2016, we also asked our members to report on the implementation of the ESF 20% earmarking for social inclusion and the fight against poverty.

This assessment is a technical complement to Caritas Europa's monitoring and political input into the European Semester, mainly through the intermediary of the European Semester Alliance. All related political analysis and statements to the AGS and the European Semester can be found on Caritas Europa's website.¹ The implementation assessment of the 2015 CSRs is also a component of Caritas Europa's Poverty Monitoring process, aimed at monitoring and documenting the implementation of the Europe 2020 Social Objectives. For more information on Caritas Europa's assessment of the implementation of the EU 2020 Strategy and its recommendations for the 2015 CSRs, please refer to [our latest European Caritas CARES Report](#)² and the corresponding 20 CARES country reports available in various different EU languages.³

¹ <http://www.caritas.eu/functions/policy-advocacy/europe-2020-strategy>

² <http://www.caritascares.eu>

³ <http://www.caritas.eu/caritas-cares-report-national-reports>

Executive summary - Caritas Europa's main recommendations at the European level

- 1) Approve **more accurate Country Specific Recommendations** in the areas of social inclusion, employment, housing, healthcare and education. Details of the scope for action are included in the present report.
- 2) Introduce **stricter mechanisms to monitor the implementation** of Country Specific Recommendations, as this is vital for achieving both Europe 2020 Objectives and Sustainable Development Goals when it comes to fighting poverty and reducing inequalities.
- 3) Monitor the **poverty reduction efficiency of current social protection systems and benefit schemes**, including in the areas of housing, health care and taxation, with a particular focus on the groups at risk highlighted in Caritas Europa [CARES Report](#),⁴ namely: long-term unemployed, working poor, single parents, children, migrants and refugees.
- 4) Use the flexibility clause of the Stability and Growth Pact to **allow EU Member States to exempt social investment from the calculation of national budget expenditure**, at least until 2020. Provide **tailor-made guidelines and support** for each EU Member State to improve the poverty reduction efficiency in their social protection system, including through mutual learning, technical assistance and financial support.
- 5) **Introduce a Child Guarantee with a dedicated specific fund** so that every child in poverty can access free healthcare, free education, free childcare, decent housing and adequate nutrition. Encourage the establishment of effective systems that guarantee the well-being of the child through the provision by Member States of an adequate combination of benefits considering household composition and income.
- 6) Establish an EU-wide standard definition of “precarious employment” as an indicator in the EU-SILC survey as well as indicators to **assess the creation of quality employment within the EU Semester process**.
- 7) Improve working conditions in Europe by **ensuring the smooth implementation of the EP Resolution on effective labour inspections** 2013/2112(INI), systematically evaluating and monitoring national labour inspection’s capacities to reduce or prevent precarious employment, sanctioning unlawful employment practices (e.g. tax and insurance evasion, safety) and infringements of contracts/collective agreements.
- 8) Encourage EU Member States to implement the **ILO Social Protection Floors Recommendation** No. 202 of 2012, adhering to instructions for building comprehensive social security systems and extending social security coverage. Equally encourage them to respect and fully implement the ILO Social Security (Minimum Standards) Convention No. 102 of 1952.
- 9) Use the ESIF and the Juncker Plan to **introduce an EU-level “long-term unemployed guarantee”**, which includes a comprehensive, dynamic and easily updatable mapping of skills as well as targeted training and lifelong learning opportunities linked to labour market demands.
- 10) Encourage EU Member States to implement **minimum income schemes that eliminate extreme poverty** and efficiently reduce the levels of “at risk of poverty”. Encourage EU Member States to **adjust the amount of minimum wage** to a level that, in combination with other benefits available to the individual, allows an individual’s household to cover basic needs and to live in dignity.

⁴ <http://www.caritascare.eu>

1. AUSTRIA

CSR2. Strengthen measures to increase the labour market participation of older workers and women, including by improving the provision of childcare and long-term care services. Take steps to improve the educational achievement of disadvantaged young people.

To our knowledge, no new piece of legislation or programme has been developed in the above mentioned fields. The Labour market in Austria is becoming more inclusive, but questions of low-wage employment and in-work poverty, precarious jobs or labour market segmentation are still not being addressed.

There has been an increase of funds for 2016 and 2017 for older workers of 30 million €, but the unemployment rate for this group is still increasing and the long-term unemployed are the group at highest risk of poverty in Austria (45% of them are at risk of poverty, according to the official data from Statistik Austria⁵).

No progress has been made concerning women to increase their full-time participation in the labour market. Only increased participation was evident for women in part-time employment and with a lack of participation of mothers with children under 15 years of age. Additionally, the refugee inflows has put the education of young people under major strain, since 5,000 refugees are children of school age and have to be integrated in the school system where they can represent up to 6% of the pupils (in Vienna). Overall, there are about 90,000 asylum seekers in Austria.

In its Caritas CARES country report for 2015, Caritas Austria recommends that the national government should take the initiative to effectively implement the EU Employment Equality Directive 2000/78/EC as well as the EC Recommendation on the active inclusion of people excluded from the labour market in order to tackle the current levels of discrimination in the labour market. The Federal Ministry of Labour, Social Affairs and Consumer Protection as well as the Federal Ministry of Justice would be well placed to lead this work. The European Commission could support this measure by addressing the issue of possible non-compliance with the EU Employment Equality Directive in informal talks with the Austrian authorities.

The Austrian Caritas CARES report also highlights that means-tested benefits are too low (€830 a month) and well below the poverty threshold (€1,161), thus requiring immediate attention.

CSR3. Remove disproportionate barriers for service providers and impediments to setting up interdisciplinary companies.

To our knowledge, the implementation of the measures recommended in this CSR has not begun.

Previous CSRs implementation:

Referring to the previous CSR for 2014 and earlier, there has been a slight improvement in the Austrian tax system. Labour taxes have been reduced, although there was no counter financing with recurrent taxes on immovable property and other taxes less detrimental to growth.

Otherwise, we have to state that nearly no progress has been made, although most figures concerning unemployment, poverty and other social issues remain on the better side of the EU average.

In Austria, the administrative regions (Bundesländer) are responsible for most of the social legislation; therefore

⁵ https://www.statistik.at/web_en/statistics/PeopleSociety/labour_market/unemployed_seeking_work/index.html

implementation can hardly be influenced at the national level. We encourage the European Commission to request systematic monitoring of the actions implemented at the regional level to get a better idea of the national situation.

National implementation of the ESF 20% earmarking for social inclusion and the fight against poverty

In Austria as much as 30.5% of ESF funding is used for fighting poverty and 11.8% for increasing labour market participation; the rest (46%) is being used for lifelong learning.

There are projects that benefit from this opportunity but it is difficult to get a comprehensive list of funded projects throughout Austria due to their variety. It is highly probable that most of these projects will have an impact on poverty reduction, although this would be very hard to quantify.

2. BELGIUM

CSR2. Adopt and implement a comprehensive tax reform broadening the tax base, shifting the tax burden away from labour and removing inefficient tax expenditures.

The Belgian Federal government approved in October 2015 a so-called “tax shift operation”. The goal has been to shift taxes from labour (decrease) to Value Added Tax (increase) on a series of items. In this way, employers are no longer punished for hiring employees. New legislation was adopted to make this “tax shift” possible.

Impact of legislation on groups concerned:

The tax shift has had a positive effect for all Belgians, including vulnerable groups, as the net wage increased by €40-50 month. On the other hand, however, the VAT increase directly affects vulnerable groups who get even less for their money. To avoid this drawback, Caritas Belgium has to keep stressing that VAT may only be increased on luxury products, not on basic needs products.

Next to the increase of net wages, the regional governments had to cut their budgets and increase taxes. As a consequence, Caritas Belgium regrets that the increase of net wages was in the end nullified. Some groups have even ended up with less money available at the end of the month.

CSR3. Improve the functioning of the labour market by reducing financial disincentives to work, increasing labour market access for specific target groups and addressing skills shortages and mismatches.

Implementation of several recommendations has begun, but slowly, and the implementation of some has been more advanced than others. In terms of recently adopted legislation or programmes, initial efforts to comply with the CSR have begun. The Belgian federal government has decided, for instance, to reduce fiscal and social contributions on the lowest wages (max €1,500) for low-educated people from 17% in 2016 to 11% in 2019. With this, employers will, hopefully, hire low-educated employees more easily.

At the regional level, governments have committed to reduce the so-called ‘labour-trap’, the financial disincentives to work, by raising the lowest incomes (e.g. via the tax shift). Furthermore, the regional Ministers of Labour are all working on the implementation of regional programmes, which target specific groups to help them find employment.

These measures are too recent to have had a significant impact on groups concerned. However, whatever their impact, it is clear that too little has been done in order to improve the employment of specific disadvantaged groups, such as people with a migrant background.⁶

CSR4. Restore competitiveness by ensuring, in consultation with the social partners and in accordance with national practices, that wages evolve in line with productivity.

To improve competitiveness, the automatic indexation system was temporarily frozen. This means that the wages skipped one automatic index adjustment. Also, social benefits and living wages weren't adjusted.

In practice, employers saved money, as did the federal, regional and local governments. While wages weren't adjusted, products and services were. Therefore, life in Belgium has become more expensive, contributing to an increase in precariousness most affecting vulnerable groups.

Previous CSRs implementation

The Belgian government has started on the implementation of the CSRs, but what is really important for Caritas is monitoring of the CSRs' implementation. In previous monitoring reports, Caritas Belgium repeatedly stated that not the CSRs themselves, but the way in which they are being implemented (or not) could have damaging consequences on vulnerable groups.

To reduce disincentives to work, it is crucial that the lowest income increases, instead of possibly decreasing unemployment benefits. The Belgian government smartly followed Caritas' recommendations when putting this into practice, to the benefit of the most vulnerable groups. The same thing was witnessed when the tax shift was being prepared. Unfortunately, VAT on electricity increased from 6% to 21% (as was requested by the IMF). As an additional measure, the government chose to raise the VAT on luxury goods on top of electricity.

National implementation of the ESF 20% earmarking for social inclusion and the fight against poverty

The government has indeed started with project calls for ESF funding, the majority of which are focused mainly on directing unemployed people into the labour market. Caritas International.be, an affiliate of Caritas in Belgium, intends to apply to a call for the inclusion of migrants and refugees into the labour market.

While the risk of poverty has decreased for older people during the crisis, it has increased for specific groups. These include low-educated people and low-work-intensity households. Also, families who are tenants have a higher risk than people who own their own houses. People of migrant background also are very exposed.

Educational inequalities linked to the socio-economic background are amongst the highest in the EU. The disparity in learning outcomes already starts during early childhood education. The reforms currently being introduced are designed to tackle this, to reduce early school leaving, and to improve the quality and relevance of the vocational system. Completing these reforms could facilitate a smoother transition towards a knowledge-intensive and

⁶ For more information on the specific situation of migrants, refer also to our the section on labour market access in the Caritas migration report, http://www.caritas.eu/sites/default/files/160317_migration_report_migrants_have_rights.pdf

increasingly service-oriented economy and further contribute to alleviating skills mismatches and persistent labour shortages in specific occupations.

3. BULGARIA

CSR1. Avoid a structural deterioration in public finances in 2015 and achieve an adjustment of 0.5% of GDP in 2016. Take decisive measures to improve tax collection and address the shadow economy, based on a comprehensive risk analysis and evaluation of past measures. Improve the cost-effectiveness of the healthcare system, in particular, by reviewing the pricing of healthcare and strengthening outpatient care and primary care.

The **National Health Map** was adopted in March 2016. It describes the medical care needs of people in the country (need for health care professionals in all areas of hospital and outpatient care, available and needed beds in different types of hospitals, etc.)

With the National Health Map, an optimisation of the allocation of resources is being planned. Bulgarian politicians decided to gradually shift from payment based on clinical pathways to payment based on diagnosis-related groups. And in the beginning of 2016, an attempt was already made to introduce this new payment mechanism for Bulgaria.

Amendments to the Law for Medical Institutions were also adopted in September 2015. The newly adopted amendments to the additional provisions of the Health law regulate integrated health and social services. The options for NGOs to provide such services are also regulated.

To date, we have not witnessed, however, visible results on the implementation of this on vulnerable groups.

CSR4. Adopt the reform of the School Education Act, and increase the participation in education of disadvantaged children, in particular Roma, by improving access to good-quality early schooling.

Several operations have started within the Operational Programme "Science and education about smart growth" and these most probably will contribute to the implementation of the expected measures.

The most important of these operations are: "Educational integration of students from ethnic minorities and asylum and international protection" and "Support to pre-school education of disadvantaged children".

Recently adopted legislation:

A new **law on preschool and school education** was adopted last September 2015.

A **Strategy for educational integration of the children and students from ethnic minorities (2015-2020)** has been adopted. However, there is no official information about the process of action plan development.

Amendments to the Law for the asylum and the refugees were adopted last October 2015 to regulate migrant and asylum seeking children's access to Bulgarian schools.

Previous CSRs implementation:

Referring to the previous CSR for 2014 and earlier, the newly adopted amendments to several laws concerning social assistance and institutional care for adults – especially adults with mental health disabilities under guardianship – are considered by Caritas Bulgaria to be very crucial and positive steps. Caritas Bulgaria strongly supports the implementation of the corresponding measures.

After more than 10 years, integrated health and social services have been regulated by the adopted amendment to the Law for Medical Institutions. It is perceived as a great success, where Caritas Bulgaria's advocacy work at the national level has also played a part in its adoption.

National implementation of the ESF 20% earmarking for social inclusion and the fight against poverty:

It is possible that even more than 20% of the ESF is dedicated to social inclusion and the fight against poverty, but in practice, this is mainly to support the social services of the municipalities.

As a consequence, Caritas Bulgaria does not benefit from the earmarking and has no information whether some of the social and humanitarian NGOs can benefit in practice from such an opportunity.

4. CYPRUS

CSR2. Fight tax evasion, simplify the tax system and implement the anti-corruption plan. Take measures to increase the transparency and efficiency of public procurement, in particular by establishing a central register of public contracts and strengthening guidance and supervision.

Fight tax evasion: The government doesn't have a strategy or a plan for fighting tax evasion and corruption (including prosecution). Moreover, no measures have been implemented to improve tax payers' compliance.

Simplify the tax system: The Cypriot government has formed a new Tax Department by merging the Department Inland Revenue and the VAT office. However, this merger entailed no significant progress in reforming tax administration and in simplifying the tax system.

Anti-corruption plan: There is no anti-corruption plan to date.

Recently adopted legislation: The legislation on public procurement has been amended with the intention to increase the transparency of the whole procedure. The amendment provides for, once the contracts have been signed, the publication of the minutes, justifying the selection of the successful applicant. It is intended with this to improve transparency.

The above-mentioned measures were enforced recently, so more time will be needed to be able to assess their impact.

CSR3. Reduce the high level of taxation levied on low-income earners, by shifting taxation to other areas. Further improve the availability of affordable childcare.

Taxation: Measures have been taken to reduce the taxation on low income earners through the 2 austerity measures packages adopted in 2011 and 2013 respectively. No new legislation has been adopted in this field.

CSR4. Adopt the higher education reform. Ensure adequate training for teachers, support poorly performing schools and take measures to increase participation among disadvantaged children, including Roma.

Implementation of the higher education reform has begun.

Fresh Time Table: The government is implementing a new timetable for weekly teaching periods in schools (curriculum distributed), known as “fresh timetable”. With this, a new structure in the distribution of teaching periods for subjects taught in primary and secondary schools is being introduced. It aims to correct the shortcomings of the education system, to strengthen the validity of public school certificates and to ensure a more reliable system accessing the Public Higher Education systems in Cyprus and Greece.

Success indicators and adequacy ratios: This is a particularly important innovation, aiming at substantially improving the content of the courses taught at all levels and focusing on improving learning outcomes, a new primary target. The programme aims to develop a new era of teaching with a new direction, which will satisfy the learning and development needs of all students.

Zones of Educational Priority: The Ministry of Education and Culture in Cyprus set in place the Programme for Zones of Educational Priority (ZEP) in an effort to promote tolerance and dialogue and eliminate stereotypes through education. The number of zones was recently extended from four to eight by 2015, through the Government’s Agenda for Educational Reform.

The Cypriot government is determined to tackle the **problem of anti-social behaviour at school:** there has been increasing concern that anti-social behaviour can lead to students leaving school early and dropping out of the education system entirely. The Ministry of Education and Culture has therefore decided to implement prevention schemes at all levels of education, with the intention of eliminating bad behaviour. It plans to achieve this by raising students’ self-esteem, teaching them to manage their feelings better and by addressing perceived failure at school. The beneficiaries of this programme are schools with the following characteristics: high percentage of immigrants, foreign speaking students, schools with high percentage of juvenile people.

Post-secondary vocational education institutes: will offer opportunities to Cyprus citizens and especially to young people to acquire, improve or upgrade their qualifications and skills in order to increase their chances for permanent employment.

National implementation of the ESF 20% earmarking for social inclusion and the fight against poverty:

Caritas Cyprus has benefited from this new funding opportunity. Cyprus is using ESF funding to create job opportunities and boost employment, in particular amongst its young people. Additional priorities include measures to improve social inclusion and a better-performing education and training system.

ESF investments have been used in Cyprus in the following areas:

- **Boosting employment:** half of ESF investments in Cyprus are dedicated to projects providing more – and better – employment opportunities for jobseekers. Young people are a particular focus, for example, with projects supporting the transition into work through job placements and apprenticeships.
- **Supporting social cohesion:** ESF projects are helping disadvantaged people, such as those with disabilities, women, welfare recipients and migrants to join the workforce and enjoy independent lives. Employers are helping in this effort and can receive subsidies when offering work to disadvantaged jobseekers. Social enterprises are receiving support as a means of achieving social cohesion and employment. Cyprus is also

implementing measures supporting a guaranteed minimum income (GMI) to provide a social safety net for those at risk of poverty.

- Improving educational opportunities: measures are underway to improve the vocational education and training system and the opportunities it offers, including better matching of people's skills and qualifications with labour market needs. Further reductions in the number of early school-leavers are also being targeted in order to ensure young people have the adequate qualifications to fill employers' needs.

5. CZECH REPUBLIC

CSR3. Reduce the high level of taxation levied on low-income earners, by shifting taxation to other areas. Further improve the availability of affordable childcare.

There is currently a draft being prepared, amending laws on taxation, but it is too early for implementation or evaluation. Therefore, no impact for the targeted groups can be reported to date.

An extremely acute problem in the Czech Republic is the **over-indebtedness of households**. Caritas Czech Republic recommends the European Commission to provide tailored policy guidance on this specific challenge through the Country Report and future CSRs. A revision of the Insolvency Law and the Law on Court Executors and Execution could provide the opportunity to develop adequate conditions to reduce over-indebtedness.

Another recommendation is to increase the level of minimum wage, which is the fourth lowest minimum wage in the EU, to CZK 12,000 and to impose stricter controls on employers' compliance with labour legislation (safety standards, overtime compensation, undeclared work..., etc.)

CSR4. Adopt the higher education reform. Ensure adequate training for teachers, support poorly performing schools and take measures to increase participation among disadvantaged children, including Roma.

A **reform of primary and secondary education** was introduced, primarily concerning qualification requirements for teachers. A reform of higher education is under preparation.

A revision of the law was approved, allowing children with disabilities to attend common primary and secondary schools. New provisions were also introduced, making it compulsory for children to attend a kindergarten at least for a year before enrolling in a primary school. There is also a new format of children's groups (pre-school), although they are not always available for children from poor families.

There is going to be a call for the new system of extra-curricular activities (care) within the European Social Fund.

Previous CSR implementation:

Referring to the previous CSR for 2014 and earlier, nothing has really changed for the better or had a significant impact on the situation. We would like to stress the following issue in particular:

CSR6. (2014) Accelerate the reform of regulated professions, focusing on the removal of unjustified and disproportionate requirements. Step up the efforts to improve energy efficiency in the economy.

In spite of this EC recommendation to the Czech Republic, increasing performance requirements on social workers

are being discussed between the social partners at the national level. Caritas Czech Republic finds these requirements to be both unreasonable and immoderate in terms of demands.

The Act on Social Workers, also called “Professional Act”, is still under preparation. It promotes, among other things, the establishment of professional associations of social workers.

National implementation of the ESF 20% earmarking for social inclusion and the fight against poverty:

According to the Ministry of Labour and Social Affairs, the Czech Republic follows this practice and even exceeds 20% for social inclusion and the fight against poverty.

Caritas Czech Republic and its Member have applied to recent calls for various projects, the impact of these applications to date, however, are not available.

6. GERMANY

CSR2. Increase incentives for later retirement. Take measures to reduce high labour taxes and social security contributions, especially for low-wage earners, and address the impact of fiscal drag. Revise the fiscal treatment of mini-jobs to facilitate the transition to other forms of employment.

The labour market in Germany is becoming slightly more inclusive, largely as a result of sound labour market development. Yet, the long-term unemployed continue to have very limited access to the labour market.

There is a plan for a reform of the pension system, which makes working at retirement age more rewarding for employees. This also applies, however, to people in early retirement, which might have the adverse effect of increasing incentives for early retirement. No major measures have been implemented regarding the other topics in the CSR.

Caritas Germany’s 2015 CARES Series report (monitoring poverty) highlights that long-term unemployment has become structural. This is because current employment policy and services provided focus mainly on the most employable groups, relying on short term instruments, such as computer or job application trainings, and thus neglecting the individual needs of the long-term unemployed. Low take-up of adequate income support is also a problem, since 1 in 3 person does not apply for minimum income assistance, although entitled to do so.

Caritas Germany recommends that the national government expands the capacity and outreach of current employment programmes and provides individual support to target the needs of the 1 million long-term unemployed. Caritas Germany also recommends specific accompanying measures for people with severe additional problems (homelessness, health problems etc.), impacting negatively on their employability.

The long-term unemployed as well as elderly migrants, people living on minimum income, and people in need of social housing compose groups at risk of poverty in Germany and should be prioritised for political action as a result of their needs.

Previous CSRs implementation:

Referring to previous CSRs for 2014 and earlier, some CSRs 2014 are still valid, which is also reflected in the CSRs

2015. The only positive development regarding the older CSRs is that there are no major negative impacts have been reported to date related to the recently introduced minimum wage.

An important step with regard to addressing long-term unemployment would be to make social inclusion and participation in the labour market explicit goals of the national labour market policy.

Caritas Germany recommends improving the calculation of minimum income schemes by reviewing the adequacy of certain criteria, increasing outreach activities and public information to increase the take-up of minimum income schemes and other social benefits, as well as making private investment in social housing more profitable and housing allowances more equitable. The European Commission could support these recommendations by providing tailored policy guidance (in the Country Report or future CSRs...) that enhance the take-up of social benefits, addresses the shortage of affordable housing as well as the adequacy of income support and its potential to alleviate poverty in Germany.

National implementation of the ESF 20% earmarking for social inclusion and the fight against poverty:

Through different programmes on regional and national level, Caritas Germany has benefited from both ESF and FEAD funding opportunities. Many local Caritas projects or projects with participation from Caritas are co-funded. In Germany, at the federal level, up to 38% of the ESF is dedicated to Social Inclusion and fighting against poverty under the investment priority: “Active Inclusion”. Please note that the national level is responsible for 36% of the whole ESF allocation for Germany, the regions (Länder) being responsible for the remaining 64%.

About 67,000 long-term unemployed, 150,000 migrants and 100,000 disadvantaged young people should be reached by the federal ESF. Caritas Germany, as member of the BAGFW (Federal Association of non-Statutory Welfare), has been involved in the development of the partnership agreement and the federal operational programme and is also a member of the national monitoring committee. Regarding FEAD, Germany has chosen an operational programme on social inclusion which supports migrants and homeless people who are too far away from the labour market to benefit from ESF-funded projects.

The German anti-poverty strategy is mainly oriented to the EU poverty indicator “households with very low work intensity”. The other two indicators – “at risk of poverty after social transfers (income poverty)” and “materially deprived” – are not addressed in the German operational programme.

The ESF is therefore very much oriented to labour market activation. To address all forms of poverty, a wider approach within the ESF is needed. Nevertheless, Caritas Germany admits that the ESF in Germany has had a positive impact on the targeted groups through its differentiated projects.

7. FINLAND

CSR2. Adopt the agreed pension reform and gradually eliminate early exit pathways. Ensure effective design and implementation of the administrative reforms concerning municipal structure and social and healthcare services, with a view to increasing productivity and cost-effectiveness in the provision of public services, while ensuring their quality.

The Finnish Parliament adopted the pension reform on 20 November 2015. As of 2027, the earliest eligibility for old-age pension will be linked to life expectancy. However, the extended unemployment benefits for the elderly unemployed have not been linked with the pension age.

The administrative reforms concerning municipal structure and social and healthcare services are still on hold, a first draft has been developed, which is planned to eventually be implemented. A variety of dedicated working groups have been set up at national and local levels. So far, there has not been a witnessing of any increase in productivity and cost-effectiveness in the provision of public services or even service quality.

The healthcare, social welfare and regional government reform package of April 2015 is one of the biggest ever administrative and operational overhauls in Finland. This law has introduced positive structural changes by creating a “one stop shop” system for the allocation of special services within the municipalities. The reform impacts the jobs of hundreds of thousands of people, thus affecting the services for every citizen in the country. It also has an effect on the financial resources, the steering and taxation of healthcare and social welfare services. The aim is to transfer the organisation of healthcare and social services and other regional services to autonomous regions as of 1st January 2019.

However, it is essential that the structural changes foreseen in this law are implemented in the municipalities in practice and are not just changes seen on paper. The independence of the municipalities in implementing this law is a potential cause for concern since, as it appears that the municipalities have been interpreting the law differently, some are carrying out the positive and necessary structural changes while others are not.

Recently adopted legislation:

The funding and strategic steering of healthcare and social welfare services need to be coordinated in a way that reduces inequalities in people's well-being and health. The aim is to strengthen central government steering when the new autonomous regions start to provide healthcare and social welfare services in 2019. Central government must steer the autonomous regions to implement new, uniform practices for service provision to make them more effective than today without increasing the budget.

The Rapporteurs suggest a simple management model, which should be the same at all levels of healthcare and social welfare services. The model takes into account which services will be provided, which resources will be used and how the effects of services in promoting well-being will be evaluated. National procedures need to be set to ensure the provision of equal and fair services and to respect the budget. It is important to prepare the corresponding policies in open interaction with all parties of civil society, citizens included.

The Rapporteurs also suggest that the Social Insurance Institution of Finland (Kela) and the occupational health care service providers should be included in the healthcare and social welfare reform. For example, Kela's medicine costs should be included in the autonomous region's budgets. This would encourage healthcare service providers to use non-pharmacological treatment when possible. Cost-effectiveness should also be included as an educational subject in educational programmes for healthcare and social welfare. The costs largely depend on decisions made by healthcare and social welfare professionals.

CSR3. Pursue efforts to improve the employability of young people, older workers and the long-term unemployed, focusing particularly on developing job-relevant skills. Promote wage developments in line with productivity fully respecting the role of the social partners and in accordance with national practices.

The labour market in Finland is becoming more inclusive. However, migrants and ethnic minorities are still largely excluded from the regular labour market. Caritas Finland has observed that the majority of its adult beneficiaries, who are mainly migrants, have been unemployed for more than 12 months. In addition, the number of single parents and

low-income families has risen sharply over recent years, making these families and their children a group at high risk of poverty and social exclusion.

A new integrated strategy is needed to reduce long-term unemployment as well as to promote the labour inclusion of migrants. According to the Country Report published in February 2016 by the European Commission, the labour market situation has continued to worsen, contrary to developments in other EU countries. The increase in unemployment suggests mismatches between labour supply and demand (for example, in terms of skills or between regions) and swift action is needed to help refugees and migrants to integrate into the labour market. Caritas Finland shares this analysis, especially relative to the migrants' situation.

In general, it can be said that **the current policies implemented in Finland do not address the problems related to poverty and social exclusion of migrants and ethnic minorities**. At the same time, budget cuts have caused unstable conditions to prevail in the current welfare system in Finland. For this reason, Caritas Finland fears that the challenges facing migrants and ethnic minorities will not be addressed in the near future.

The accuracy of the disease-based approach to social security benefits entitlement has recently been challenged. A recent study from Lapland University by Raija Kerätär⁷ (2016) aims to assess an individual's work ability by comparing the diagnoses and findings to the demands of work. A case study was conducted to compare a disease-based and a multidimensional functioning-based work ability assessment, illustrated through an individual case. Results show that relevant potential for promoting work ability was missed by the disease-based approach in evaluating the entitlement to social security benefits. In the assessment based on multidimensional functioning, dialogue-based plans were made to improve work ability.

Recently adopted action plan:

In Finland, different areas were divided into the treatment of long-term unemployment with a total of €208.9 million invested at the beginning of 2015. Of this, €142.4 million was allocated for a minimum of 300 days, based on the number of people who had received labour market support, and €48.6 million was distributed for long term unemployment.

It was intended by the government that the money to be spent. Resources were used for the procurement of labour market training and coaching, wage-subsidized work, and start-up grants and employment policy grants focused in particular on long-term unemployment reduction.

Impact of legislation on groups concerned: to date, positive results from this action plan have not been reported. At the end of February 2016, the number of long-term unemployed amounted to 122,000, up 19,500 from the previous year. Of the long-term unemployed, 71,500 were men and 50,500 women. The number of men increased by 11,200 (19%) from the previous year and the number of women by 8,300 (20%). Long-term unemployed people who had been unemployed without interruption for more than two years totaled 54 100, which is 8 400 more than a year prior.⁸

Previous CSR implementation:

Referring to previous 2014 CSR and earlier, a big step was made with the adoption of the healthcare, social welfare

⁷ "From the disease-based assessment of work ability and functional capacity to a multidimensional assessment model", Raija Kerätär, January 2016, Lapland University.

⁸ Cf. National statistics from the Ministry of Employment and the Economy Employment Service.

and regional government reform package in 2015. This package could be defined as one of the biggest ever administrative and operational overhauls in Finland. Some progress for the groups concerned resulting from its implementation is expected.

National implementation of the ESF 20% earmarking for social inclusion and the fight against poverty:

In Finland, Caritas members do not benefit from this funding opportunity. As for the proportion of the ESF dedicated to inclusion and poverty, Caritas Finland believes that Finland respects the 20% earmarking to date.

8. IRELAND

CSR2. Take measures to increase the cost-effectiveness of the healthcare system, including by reducing spending on patented medicines and gradually implementing adequate prescription practices. Roll out activity-based funding throughout the public hospital system.

There are two measures in this CSR: the reduction of spending on patented medicines and the roll-out of activity-based funding throughout the public hospital system.

a) Reducing spending on patented medicines and gradually implementing adequate prescription practices. The State accounts for 85% of overall pharmaceutical expenditure in Ireland. The pricing mechanism is set out in an agreement between the Health Service Executive and the Irish Pharmaceutical Healthcare Association. The current agreement ended in 2015 and negotiations are underway for a new agreement. Progress on reducing expenditure on patented medicines has been slow although the HSE reported savings of €200 million between 2012 and 2014.

The Health Pricing and Medical Goods Act 2013 provides the Government with powers to set drug pricing and targets for generic substitution. A report by the Oireachtas (Parliament) Committee on Health and Children made recommendations with regard to drug price setting in Ireland.

The European Commission Country Report 2016 notes that the cost of single supplier medicines represented 79% of public expenditure on medicines in 2015. The report points out that the mid-term review of the HSE/IPHA Drug Pricing agreement did not take place. It also noted that expected savings from the agreement on patent-protected medicines did not materialise. Overall, the projected savings over the time period have not materialised and progress in this area has been slow. Ireland's NRP 2015 pointed to the IPHA agreement as the mechanism to realise the required savings. This strategy has not yielded the required results.

b) Roll-out activity based funding throughout the public hospital system.

The Department of Health has highlighted 2016 as the “conversion year” for moving hospital budgets to Activity Based Funding (ABF) but progress is slow, as significant investment is still lacking to upgrade the financial management and information systems in the Irish Healthcare system. The targets for 2015 were: (1) benchmark budgets for hospitals on an ABF basis, (2) continue work on an outpatient classification system, (3) develop pricing structures to incentivise shifts from inpatient to day-case, and (4) commence development of systems to link clinical data with provider reimbursement. Progress towards meeting these targets has been slow.

Ireland has made very limited progress towards implementing the eHealth strategy and in developing individual identifiers within the health information system. The European Commission Country Report 2016 notes that progress has been slow, and will be limited by the fact that the present financial management and information systems are not yet to the standard required to support a rollout of Activity Based Funding. Caritas Ireland is of the opinion that Activity Based Funding (ABF) should not be limited to hospitals. Over time it should be rolled out across the health service and into primary and community care.

Recently adopted legislation:

No new legislation was adopted for drug pricing in 2015. As a new agreement on drug pricing is currently being negotiated, it is expected that a new programme will be adopted in 2016. It remains to be seen if Government will invoke the powers of the Health Pricing and Medical Goods Act 2013.

The Department of Health published the Activity Based Funding Implementation Plan 2015-2017, which sets out key targets and a timeline for completion. The targets for 2015 were not met in full. Significant investment is required to develop eHealth and financial and information systems to support the ABF rollout.

CSR3. Take steps to increase the work-intensity of households and to address the poverty risk of children by tapering the withdrawal of benefits and supplementary payments upon return to employment and through better access to affordable full-time childcare.

a) Tapering withdrawal of benefits and supplementary payments upon return to employment

The Back to Work Family Dividend and Family Income Supplement are the main in-work supports for families in Ireland. In the 2016 Budget, €18 million extra was provided to increase all Family Income Supplement (FIS) income thresholds by €5 for each of the first two children from January 2016.

The earnings disregard for Jobseeker's Transitional Payment was increased from €60 to €90 per week from January 2016 for existing and new recipients. Family Income Supplement thresholds were increased by €5 per week for each of the first two children from January 2016. 30,000 recipients of the One Parent Family payment transitioned to a jobseekers (unemployment) payment in July 2015.

A Housing Assistance Payment (to replace rent supplement) is being rolled out, which is not withdrawn when a beneficiary takes up employment.

b) Better access to affordable full-time childcare

In the 2016 Budget, Government extended the Early Childhood Care and Education (ECCE) programme to two years. Families can now avail of this facility when children reach three years of age until their transition to primary school. The ECCE scheme entitles the family to three hours care per day for 38 weeks of a given year. The Inter-Departmental Working Group on Future Investment in Childcare in Ireland published a comprehensive report with a series of recommendations in 2015.

Plans were announced to develop a single Affordable Childcare Programme, which would provide a new simplified childcare subsidy programme in 2017.

Recently adopted legislation:

The Back to Work Family Dividend announced in Budget 2015 was adopted in January 2016. The programme provides financial support to Jobseeker and One-Parent Family Payment (OFP) recipients with children who end their claim and who are in, or take up, employment or self-employment. This support lasts for two years. In the first year, these households can retain a Qualified Child Increase payment of €29.80 per week, and 50% of this payment amount in the second year.

Impact of legislation on groups concerned:

The actions on tapering withdrawal of benefits have had a limited effect. Transition of households from a rent supplement payment (which is lost when a person takes up employment) to the Housing Assistance Payment (HAP) has been very slow. To date, just 7 015 households are in receipt of HAP and only 2 527 (65%) of these cases have been transferred from rent supplement. At present there are over 71,000 beneficiaries in Ireland.

The transfer of 30,000 One Parent Family payment beneficiaries to a jobseekers payment was heavily criticised. Without investment in a comprehensive capital and programme to develop Ireland's childcare infrastructure for affordable, quality and universal access, these families will continue to bear the highest poverty and deprivation rates. According to the 2016 Country Report for Ireland, single parents, mostly women, suffer particularly from a lack of childcare support. The at risk of poverty or social exclusion rate for single parent households (62.5% in 2014) is much higher than the EU average (48.2%).

In spite of increased investment in the ECCE scheme in the 2016 national Budget, a significant amount of investment will be needed in the immediate future in order to develop Ireland's childcare and after school care infrastructure, to deliver universal accessible, quality and affordable childcare and to ensure the sector itself can attract and retain and highly skilled workforce.

CSR4. Finalise durable restructuring solutions for a vast majority of mortgages in arrears by end-2015 and strengthen the monitoring arrangements by the Central Bank of Ireland. Ensure that restructuring solutions for loans to distressed SMEs and residual commercial real-estate loans are sustainable by further assessing banks' performance against own targets. Take the necessary steps to ensure that a central credit registry is operational by 2016.

The Central Bank of Ireland is now monitoring the mortgage restructuring arrangements of the five main banks and quarterly statistics are now being published.

A Central Credit Registry is being developed but has still not been adopted. The Central Bank has passed new rules on macro-prudential measures for loans to value ratios and income limits of new mortgages.

Impact of legislation on groups concerned:

Whilst there has been restructuring or mortgages and increased monitoring, it is of concern that Ireland has the highest ratio of non-performing loans as a % of GDP in the EU and a very high rate of long-term mortgage arrears (64%). Some of the restructured arrangements are short-term and not sustainable in the long run.

SMEs have been more successful at de-leveraging and restructuring mortgage debt. However, despite progress significant concerns remain regarding the level of long-term mortgage arrears.

Previous CSR implementation:

Referring to the previous 2014 CSR and earlier, some incremental progress is being made in relation to reducing the

budget deficit, restructuring mortgage arrears and increasing employment. However, **Ireland is moving away from rather than moving towards meeting the EU 2020 poverty and child poverty targets.**

National implementation of the ESF 20% earmarking for social inclusion and the fight against poverty:

In Ireland, the ESF is being implemented through the PEIL programme. The social inclusion element is focussed on improving employability and promoting equal opportunities. The programme helps the unemployed to reintegrate the labour market, with particular attention to youth and long-term unemployed people.

Investments will be focused on four main areas: Access to employment; Social inclusion, by improving employability and promoting equal opportunities; Education, including initiatives for very low skilled people and for disadvantaged and disabled students; Implementation of the Youth Employment Initiative.

The social inclusion target of the programme is to support 79,000 people. No progress update has been published. However, the EC 2016 country report noted slow progress in implementing the Youth Guarantee.

Caritas Ireland is disappointed that the ESF programme is solely focussed on the labour market as a means of reducing poverty and social exclusion. **A lifecycle approach incorporating issues experienced by people who are not in the labour market and experiencing poverty and social exclusion would be a more effective policy.**

9. LATVIA

CSR2. Improve vocational education and training, speed up the curricula reform and increase the offer for work-based learning. Ensure that the new financing model of the higher education system rewards quality. Better target research financing and incentivise private investment in innovation on the basis of the Smart Specialisation Framework.

No further measures have been implemented in the time period between July 2015 and March 2016 with respect to vocational education and training. The process of research financing model and consolidation of research centres is ongoing and has been accelerated in late 2015 and early 2016. However, no new measures have been implemented to date.

Recent legislative developments:

According to amendments to the Vocational Education Law, paragraph 6, a unified framework of qualification exams and occupational standards will come into force as of 1 January 2017.⁹

As already highlighted in the 2016 Caritas CARES Country report for Latvia, the regulatory framework for life-long learning has not been established yet. However, there has been some policy development since July 2015.

The Ministry of Economy has prepared an information report on life-long learning and its fiscal impact on the state budget, which was presented to the Cabinet of Ministers on 25 August 2015. Ministries and social partners provided comments and suggestions to this report by 30 November 2015. As of March 2016, ministries were still working on a

⁹ Source: http://visc.gov.lv/aktualitates/dokumenti/2016_relizes/20160121_prof_izglitiba.pdf

project of new regulations on the organisation and implementation of life-long learning. Part of funding for work based learning is envisaged from the European Social Fund, including three main models of analysis:

- An employer provides a previously agreed minimum payment to a person who is engaged in work based learning processes (lower than a minimum wage in the country);
- An employer receives tax allowances for providing work based learning;
- An employer provides scholarships to a person who is engaged in work based learning and these scholarships are exempt of tax payments.

New research was published in late 2015, revealing that 44% of Latvian employers have never provided internship or work placements. This is especially true in the services sector. According to the Employers' Confederation, most of Vocational Education and Training students could be engaged on work based learning through a scholarship model. In cases of tax allowances, 23.7% of students could be engaged in work based learning, while in cases of a fixed minimum payment, it was only 17.9% of students.¹⁰

CSR3. Take concrete steps to reform social assistance, ensuring adequacy of benefits, and take measures to increase employability. Reduce the high tax wedge for low-income earners by shifting the tax burden to other sources less detrimental to growth. Take action to improve the accessibility, cost-effectiveness and quality of the healthcare system and link hospital financing to performance mechanisms.

With respect to reducing tax burdens and increasing employability, limited progress was made due to some changes in tax legislation as of January 2016:

Minimum monthly salary increased from 360 to 370€ as of January 2016. Non-taxable minimum increased from 75 to 85€, but individuals were expected to submit annual tax declarations to be eligible to receive repayment if more tax was deducted from their income. It is envisaged to gradually increase the non-taxable minimum ceiling for people with low incomes in forthcoming years. However, individuals will only receive the tax refund in the subsequent year, so a year later.

Non-taxable income for dependant persons was increased from 165 to 175€ per month. However, as of 2016, a non-working spouse or parent is excluded from the list of eligible dependant persons.¹¹

As of 1 July 2016, 21% of value added tax (VAT) will also be applied for the maintenance of dwelling houses. This will increase the monthly bills for housing costs for many individuals. As of 2016, emergency health sector workers could obtain pensions of service at age of 55 if their length of service was at least 20 years of duration. This has the potential to improve the situation of people who are in poor health and are consequently unable to continue working.

It is too early to say if these new measures would have any impact. Possibly they could have a negative impact on adequacy of social assistance and increase of employability, due to the fact that a working person would not be able to receive tax allowances for parents and non-working spouses, and increases maintenance costs (VAT) of dwelling houses.

No implementation of measures can be reported for people with poor health or addictions. Measures on long term unemployment have just started to develop in late 2015. Finally, no measures on social entrepreneurship have been implemented during this period of time. To the knowledge of Caritas Latvia, no new legislation or programmes were adopted since July 2015 with respect to hospital financing and the quality of healthcare systems concerning the group of low-income earners.

¹⁰ Source: Ministry of Economy, Information report on life-long learning and its fiscal impact on the state budget, 25.08.2015.

<https://www.em.gov.lv/lv/jaunumi/6312-ministru-kabineta-atbalsta-nepieciesamibu-sekmet-darba-vide-balstibas-izglitiba-sistemas-attistibu-latvija>

¹¹ Source: Ministry of Finance (2016) Retrieved from <http://www.fm.gov.lv/en/s/taxes/>

Previous CSR implementation:

Referring to the previous 2014 CSR and earlier, progress has been slow but improvements can be observed in the area of lifelong learning practices. Awareness-raising and good practice sharing events have also been taking place in various vocational education schools across the country throughout 2015 and early 2016.

National implementation of the ESF 20% earmarking for social inclusion and the fight against poverty:

To date, this earmarking of 20% funding for social inclusion and fighting poverty of the ESF has not been included in national level documents, with the exception of the following source: EU funds in Latvia (2015) Paziņojums par ES Kohēzijas politikas fondu darbības programmas 2014-2020 gadam sākotnējā (ex-ante) izvērtējuma Tehniskās specifikācijas projektu (Announcement about policy programme of the EU Cohesion policy funds 2014-2020 initial (ex-ante) evaluation of the technical specification project).

10. LUXEMBURG

CSR1. Broaden the tax base, in particular on consumption, recurrent property taxation and environmental taxation.

From 1st January 2015, all VAT rates were increased about 2% (exception: the super-reduced rate stayed at 3%) and some items (alcoholic beverages, second homes for rent, etc.) were re-classified from one group to another with a higher VAT-rate, generally the highest one at 17%.

A general tax reform is now announced to come into force on 1st January 2017:

- In the frame of OECD BEPS initiative (Base Erosion and Profit Shifting), there should be a broadening of the tax base for companies (no details available) in Luxembourg,
- On environmental taxation, some very limited adaptations are foreseen,
- Property taxation is not part of the reform.

Impact of legislation on groups concerned:

As the VAT increase did not affect the daily need items, the effects this had on target groups was not relevant. However, the ever rising rent prices may have received a second push, the effect of which is, unfortunately, not possible to distinguish apart from the general increase in costs. Restaurants and pubs are already complaining about their diminishing sales, which may lead in the end to dismissals and hence, to unemployment.

CSR2. Close the gap between the statutory and effective retirement age, by limiting early retirement and by linking statutory retirement age to life expectancy.

To our knowledge, there has been no implementation of this CSR to date. A decision after the tripartite consultations in late 2014 and early 2015 was to withdraw in the future some possibilities of early retirement, but the provisions are not yet in place.

After the pension reform in 2012, no further measures were taken. Part of the 2011 law was to carry out an evaluation in 2017 to see if further action was needed. It was decided recently to have this evaluation taking place earlier, in 2016.

CSR3. Reform the wage-setting system, in consultation with the social partners and in accordance with national practices, with a view to ensuring that wages evolve in line with productivity, in particular at sectoral level.

There has been no implementation of this CSR to date; no improvement is thus foreseen in the short run.

Previous CSR implementation:

From the budget strategy point of view, various austerity measures were put in place already in 2014 and continued in 2015, resulting in an overall saving of €840 million. The multiannual programming shows that budget policy is on track, the MTO of +0.5% budget balance is reached from 2016 on. However, this has had negative effects on vulnerable people's own budget and purchasing power.

Concerning the Youth Guarantee initiative: the Youth Guarantee started in June 2014 and was continued (although without any additional measures) in 2015. The first assessment seems to be rather positive, but it is based on quite limited data. It is also still early to carry out a comprehensive evaluation of the initiative.

National implementation of the ESF 20% earmarking for social inclusion and the fight against poverty:

Caritas Luxemburg has not yet benefited from this funding opportunity.

In the programming period 2014-2020 out of a total of €37.7 million, €7.5 million are earmarked to axis II "Reinforce social inclusion", which is exactly 20%. "Social inclusion" in this field is nearly exclusively understood as work integration and vocational training, following the adage that work is the best way out of poverty. At Caritas Luxemburg we know this is inaccurate.

Whether this had an impact on poverty reduction is impossible to say. Most projects started only recently and are struggling to evaluate prior to their conclusions on the ground, and from an outsider's perspective.

CSR2. Take measures to improve basic skills and further reduce early school-leaving by promoting the continuous professional development of teachers.

According to the European Commission, Malta is among the worst EU performers as regards early school leavers and basic skills. After falling by almost 10% between 2007 and 2013, the early school leaving rate stagnated between 2013 (20.5%) and 2014 (20.3%). This is now the second highest in the EU and well above the 2020 national target. Earlier surveys showed that the basic skills attainment was low.

The Ministry for Education and Employment is committed to improving the situation and intends to provide present and future generations with the necessary skills and talents for employability and citizenship in the 21st century, starting with the promotion of Malta's identity through mastering the Maltese language: to be able to navigate successfully in the world at large Maltese residents need to be fluent and proficient in English, the global language. The Ministry for education and employment is willing to encourage Maltese young people to become fully competent in languages that have global outreach via English. In close collaboration with the educational and economic sectors and civil society, the Ministry is facilitating a consultation process about an updated educational plan for Malta. This consultation process will form the basis for improvements scheduled for 2014 to 2024, during which period Maltese students should develop their personal and social potential and acquire the appropriate knowledge, skills, competencies and attitudes through a value-oriented formation including equity, social justice, diversity, and inclusion.

The Ministry is suggesting a coherent strategy for lifelong learning opportunities from early childhood education and care to adult learning to ensure that all children, young people and adults have the opportunity to develop the right skills and attitudes to become active citizens and to succeed both at work and within society. The Ministry is striving to improve students' learning experiences by encouraging and promoting creativity, critical literacy, entrepreneurship and innovation at all levels.

This framework for the Education Strategy for Malta 2014-2024 has four targets in line with European benchmarks:

1. Reduce the gaps in educational outcomes between students attending different schools, decrease the number of low achievers and raise the level in literacy, numeracy and science and technology competence.
2. Support educational achievement of children at-risk-of-poverty and of low socio-economic status, and reduce the numbers of early school leavers.
3. Increase the participation in lifelong learning and adult learning.
4. Raise levels of student attainment in further vocational and tertiary education and training.

The Maltese government is searching for solutions to address this challenge and is willing to learn from other European best practices, such as the Bologna and the Copenhagen Processes, keeping in mind that one cannot import solutions from other countries without adapting them to the local reality. All partners in education, both private and governmental, are invited to engage in a constructive dialogue to tackle early school leavers and basic skills and come up with a strategy that will result in economic growth, prosperity and a better quality of life in Malta.

Recently adopted legislation:

Some programmes are being adopted to tackle the education problem. The Maltese Government is continuing to train the Maltese teachers for further progress in early school leaving and basic skills attainment. Some important changes have been introduced in the Maltese educational system, such as mixed ability classes, benchmarking examinations and e-learning tools.

Lifelong learning is developing, taking the form of short courses, vocational qualifications and university degrees. Because this form of education has become more important in our lives, various short and long courses have been developed to help those who stopped studying a while back or who simply want to learn something new. The list of lifelong courses already available in Malta includes: Cultural Awareness, Digital Awareness, Family, Languages, Mathematics Science and Technology, Sense of Initiative and Entrepreneurship, Social, Health and Civic Competences, Visual and Performing Arts, Vocational Education and Training.

Youth.inc is an inclusive educational programme, based on applied learning, for young people between the ages of 16 and 21. The aim of the programme is to help young people improve their standard of education and gain adequate knowledge, values and skills to enter the labour market or acquire qualifications to continue in further education or training. Youth.inc is under the remit and management of Aġenzija Żgħażaġh (National Youth Agency), which adopts a more youth-centred approach and seeks to strengthen the complementary role of formal and non-formal learning. The programme has two different levels of entry in accordance with the Malta Qualifications Framework. Some skills developed by the programme are transferable to the next stages of education and training: Applying theory to work-related challenges, Acquiring knowledge, Gaining basic skills, Embracing values, Working in a team, and Being creative and innovative. Youth.inc is currently being offered as a full-time Level 1 and Level 2 programme in Santa Venera.

CSR4. Improve small and micro-enterprises' access to finance, in particular through non-bank instruments.

Malta is focused on SME-related issues. Malta's economy is based on micro-enterprises at a higher rate than its European counterparts and, therefore, prioritising business concerns has to be at the highest end of the agenda if those who are building and sustaining Malta's economic growth are to continue driving the economy forward. It is clear that Malta needs to incentivise non-bank instruments to outreach more flexibility and possibility for growth to businesses which are not maximising their potential due to problems of contact to finance. Waiting for banks to take this step has not achieved much, and thus, such initiatives could then provide impetus for banks to follow. In the 2015 Budget, the government introduced initiatives, such as setting up a Development Bank, seed capital and venture capital. However, some progress from such initiatives from which businesses can benefit still to be identified.

Previous CSR implementation

The Maltese Government is making it a priority that in every annual budget, the country specific recommendations are tackled and implemented. As a consequence, Caritas Malta issues an implementation report to the government ahead of every annual budget. The impact of such advocacy is made possible by the governmental consultation process which involves civil society organisations.

These CSRs impact both the population and small businesses. The present government is focusing on the larger economy, which can generate poverty among those who can't compete with the larger sector. Presently, the Maltese economy is based on 3 pillars: finance, tourism and gaming.

12. PORTUGAL

CSR2. Promote the alignment of wages and productivity, in consultation with the social partners and in accordance with national practices, taking into account differences in skills and local labour market conditions as well as divergences in economic performance across regions, sectors and companies. Ensure

that developments relating to the minimum wage are consistent with the objectives of promoting employment and competitiveness.

The only implemented measure related to the CSR2 is not recent: namely, the increase of the minimum wage from 485€ to 505€ per month, as of 1st October 2014. This measure resulted from an agreement between the Government and a majority of social partners, introducing the principle of the productivity evolution.

Caritas Portugal regrets that nothing has been done, however, to promote the alignment of wages and productivity, taking into account differences in skills and local labour market conditions.

Recently adopted legislation:

The increase of the minimum wage is in the law decree, published in the Republic Diary.¹²

Impact of legislation on groups concerned:

The minimum wage increase has had a significant impact on most of the vulnerable groups, such as young people and poor workers. This measure covered 425,000 workers in both public and private sectors (most Portuguese workers receive the minimum wage). Yet, the amount remains too low to cover daily basic expenses (rent, gas, water, electricity). In most cases, it is the only family income and the 20€ increase was insufficient.

CSR3. Improve the efficiency of public employment services, in particular by increasing outreach to non-registered young people. Ensure effective activation of benefit recipients and adequate coverage of social assistance, in particular the minimum income scheme.

The implementation of measures recommended in the CSR3 has begun, only partially. But most of the measures used to address this recommendation are not new and just a continuation of pre-existing measures initiated in 2014. Consequently, they do not necessarily respond to new problems exposed (NEETs, etc.)

Recently adopted legislation:

A new law on employment policy was published in January 2015 with the aim to redefine its objectives and principles. Other legislation adopted since July 2015 include:

- The Youth Guarantee¹³ which includes employment programmes “Estímulo Emprego”, “Estágios Emprego”, “Emprego Jovem Ativo” and “Investe Jovem”,¹⁴ trainee programmes (in central and local Public Administration, in the embassies and consular services) and a programme to help the return to education and training at university, “Retomar”.¹⁵

- The Social Emergency Program, created in 2014, with all the social assistance measures detailed below.¹⁶

The Recovery Plan of the Public Employment Service has continued to be implemented. It aims to increase the efficiency and the quality of services for the unemployed and to adjust the employment offer with demand. A specific model for adjustment and intervention has been implemented (Personal Employment Plan definition, bring employment service closer to its beneficiaries) as well as revised measures (support for job creation, development of training programmes, social work, and support to create one’s own business or employment).

¹² <https://dre.pt/application/conteudo/57695125>

¹³ See www.garantiajovem.pt and <https://dre.pt/application/dir/pdf1sdip/2013/12/25300/0704907055.pdf>

¹⁴ See <https://www.iefp.pt/apoios>

¹⁵ See <http://www.dges.mctes.pt/DGES/pt/Estudantes/Retomar/>

¹⁶ See http://www.mercadosocialarrendamento.msss.pt/programa_emergencia_social.jsp

Employment Policies include, alongside general programmes (support to contract unemployed people, to entrepreneurship, to integration and insertion), specific programmes (for long-term unemployed people). New employment measures are foreseen for unemployed people over 30 and the Youth Guarantee initiative targets the identification and activation of youth under 29.

In terms of protection and social inclusion, two types of policies are implemented: preventive policies and remedial or intervention policies. Relevant measures include:

- Cooperation Protocols (contractual instruments between the State and social organisations);
- Creation of a Local Social Intervention Network;
- Safeguarding the most disadvantaged groups in IRS (personal income tax), reducing medicine prices, updating minimum pensions, social electricity and gas bills for low income people; creation of a Social Rental Market, the Emergency Food Programme, and a temporary 10% increase of unemployed couples with children's benefits.

Concerning the minimum income scheme, the government continued with the Solidarity Supplement for Elderly (CSI) and revised the criteria to access the minimum income (RSI), including application rules for the renewal of benefits. Part of this CSR was not implemented, though, mostly when it comes to “ensure effective activation of benefit recipients and adequate coverage of social assistance, in particular the minimum income scheme.” Some measures have had a negative impact on the most vulnerable groups, like the revision of the criteria to access the minimum income. This type of measure prevents poor people to access the minimum scheme and therefore does not guarantee an adequate coverage of social assistance.

Impact of legislation on groups concerned:

Caritas Portugal notices both negative and positive impacts on the situation of the groups concerned. The positive impacts were caused by improvements to the labour market through the minimum wage increase and job creation measures for young people. These measures raised the wages of many workers, and reduced unemployment by giving young people an opportunity into the labour market. The second positive consequence was the continuation of the Solidarity Supplement for Elderly (2005), the first Portuguese policy to be linked to the poverty threshold, which had a great impact on reducing poverty for elderly people.

Measures such as “Safeguarding the most disadvantaged groups in IRS (personal income tax); reducing medicines prices; updating minimum pensions; social electricity and gas bills for people with low incomes” were paramount in safeguarding people and families in poverty from paying taxes and in providing them with some support in paying daily basic expenses (like electricity and gas).

However, some actions have had a negative impact. Caritas Portugal observes an increase of in-work poverty and temporary jobs. **Employment activation measures do not provide quality, stable jobs and wages remain too low.** Moreover, big companies or public institutions take advantage of these measures to contract people, without having a total responsibility for their working conditions and wages.

The revision of the criteria to access the minimum income (RSI) has fostered a reduction of the number of beneficiaries. This is perceived to be an inadequate decision considering the present crisis. Overall, the amount of the minimum scheme remains low and their beneficiaries cannot cover their basic expenses.

Previous CSR implementation:

Referring to the previous 2014 CSRs and earlier, the recommendations for the labour market and fight against poverty and social exclusion remained the same for 2015. New measures have been approved (and some progress made), but Caritas Portugal observes that most of the measures addressing the 2015 recommendations were the same that were used in the 2014 recommendations, focused on employment and social inclusion.

Efforts were made to address the CSR on improving the efficiency of public employment services, in particular by increasing outreach to non-registered young people, with the Recovery Plan of the Public Employment Service and the Youth Guarantee. However, these measures need improvement in their implementation. The idea is to bring the public employment service closer to its beneficiaries, helping them find a job or a training to complete their skills and qualifications. However, difficulties persist in getting a job through the employment public service (few opportunities, too many applicants, not targeted to individual needs) and unemployed people (including highly qualified) are forced to get a training, frequently trainings unfit to existing qualifications or education levels.

The majority of the measures implemented in 2015 were initiated before, and most of the problems Caritas Portugal reported on last year remain valid. The government intends to solve various problems with the same measures, without addressing their specificities. The NRP focuses on job creation to reduce poverty and social exclusion which, in our opinion, is inappropriate. Such an approach entirely overlooks the issue of low wages, in-work poverty or temporary jobs. Such measures only solve unemployment temporarily, failing to offer households' stable jobs and sufficient wages to cover basic expenses. In the present NRP, the in-work poverty is attenuated by the increase of the minimum wage, the levels of which remains too low.

In terms of protection and social inclusion, all the measures are integrated in the Social Emergency Programme,¹⁷ created in 2011 by the government to address the social, financial and economic crisis. This programme continues to work like a "social pillow", although designed for emergency situations and not designed to cover people's basic needs.

Finally, the revision of the criteria to access the minimum income (RSI) has reduced the number of eligible beneficiaries, which does not match with the CSR to ensure adequate social assistance coverage.

National implementation of the ESF 20% earmarking for social inclusion and the fight against poverty:

Portugal has used the ESF 20% earmarking for employment activation rather than social inclusion and poverty reduction.¹⁸ In terms of poverty reduction and social inclusion, the ESF was used to support people with disabilities, including training assistance and those looking for a suitable job, covering 7,000 people a year. Some of the actions being taken are the creation of more than 18,000 new childcare centres, designed to allow both parents to have an income, and other projects geared towards job seekers of families with young children.

In conclusion, the ESF 20% earmarking, even in terms of poverty and social inclusion, was used to invest in employment measures and educational qualifications. Other types of measures to fight against poverty and social exclusion were overlooked, and there is no reference to income support (the provision of adequate minimum

¹⁷ Programa de Emergência Social – PES.

¹⁸ Source: União Europeia, Portugal e o Fundo Social Europeu, 2012.

schemes to cover basic needs) nor access to quality services.

Caritas Portugal benefited from this funding opportunity, and designed a project “Cria(c)tividade”, to fight against unemployment and help people create their own businesses. This project allowed to create micro-business in various fields of activity (18 micro-businesses) and supported unemployed people to get a job or become entrepreneurs of their own business. It is aimed to support unemployed people of all ages, providing the possibility of supporting unemployed people over 45 years (typically considered too old to be hired for a job) and long-term unemployed. This project was important for helping people living in poverty and situations of social exclusion. It definitely was more focused in supporting unemployed people, but addressed the most vulnerable groups in these situations, like young people, unemployed people over 45 years old (considered too old for a job) and the long-term unemployed.¹⁹

13. SLOVENIA

CSR2. Review, in consultation with the social partners and in accordance with national practices, the mechanism for setting the minimum wage and, in particular, the role of allowances in light of the impact on in-work poverty, job creation and competitiveness. Increase the employability of low skilled and older workers. Take measures to address long-term unemployment and provide adequate incentives to extend working lives.

Due to the lack of clear theoretical findings and empirical evidence on the effects of minimum wage increase on one hand and high political sensitivity of the issue, on the other, the Slovenian Government was reluctant to take any measure without consensus of the social partners. Social partners could not reach the agreement on changing the minimum wage regulation while negotiating the Social agreement concluded in January 2015. The Ministry of Labour, Family, Social Affairs and Equal Opportunities decided to order a comprehensive analysis of the minimum wage effects based on micro data. The study is expected to be finalised in May 2016 and will form the basis for possible further tripartite activities in this area.

Recently adopted legislation:

In September 2015, trade unions called for amending the Minimum Wage Act due to the unequal treatment between minimum wage earners who work in normal working conditions and those who work in “special working conditions”. Both groups of workers were receiving statutory defined minimum wage regardless of their working conditions. The proposal was unanimously adopted by the National Assembly in November 2015. The result of the measure is a changed minimum wage structure/composition. From January 2016, the minimum wage is composed of a basic wage for certain months, bonus for job performance and seniority bonus.

Impact of legislation on groups concerned:

The Amended Minimum Wage Act entered into force in January 2016. It guarantees equal treatment of all minimum wage earners. It has to be pointed out that, according to the administrative data, the number of minimum wage recipients in Slovenia has been decreasing since 2013 on the account of the decrease of minimum wage earners in the private sector.

¹⁹ <http://ec.europa.eu/esf/main.jsp?catId=394&clangId=pt>

CSR3. Bring down the level of non-performing loans in banks by introducing specific targets. Improve credit risk monitoring capacity in banks. Continue corporate restructuring and maintain strong corporate governance in the Bank Asset Management Company. Take measures to improve access to finance for SMEs and micro companies. Adopt a strategy for the Slovenian Sovereign Holding with a clear classification of assets, implement an annual asset management plan and apply performance criteria.

Implementation of this CSR has begun, with the level of non-performing loans being decreased to 8.7% (December 2015). Corporate governance in the Bank Asset Management Company (BAMC) even weakened, by cancellation of contract to some of the executives and installing new members, friendlier to the government. Corporate restructuring led by BAMC therefore progresses slowly.

A Strategy for the SSH and classification of assets was adopted. There was no legislation to improve access to finance for SMEs and micro companies. There were, however, some programmes by state-owned SID bank and state-run Public Fund for entrepreneurship.

Previous CSR implementation:

Referring to the previous CSR for 2014 and earlier, it is worth mentioning the reform of the pension system (impact ZPIZ-2).

The yearly report of Pension and Disability Insurance Institute of Slovenia states that in 2015 the average number of insured persons in comparison with 2014 (active population) increased by 1.1% after six years of decline. Average number of pensioners who receive their pension from compulsory insurance increased by 0.5%, which marks the lowest growth in the last 25 years. The ratio between the number of insured persons (active population) and those who receive benefits under compulsory insurance (pensioners) was 1.37 and, for the first time since 2008, has not decreased. At the moment a **White Paper on the reform of the pension system** is under preparation, which is expected to be published in April 2016.

National implementation of the ESF 20% earmarking for social inclusion and the fight against poverty:

Caritas Slovenia is aware that there is in the national budget ensured funding to co-finance activities in the field (social inclusion, poverty reduction). Unfortunately, the calls for proposals have not been published to date, as Slovenia is experiencing some delay in this field. In 2016, Caritas Slovenia will therefore not benefit from this new funding opportunity.

14. SLOVAKIA

CSR2. Take additional measures to address long term unemployment by improving activation measures, second chance education and introducing high-quality training tailored to individuals' needs. Improve the incentives for women to remain in or return to employment by improving the provision of childcare facilities.

Implementation has begun and all comments from the European Commission in their Summary Assessment in relation to this are correct: “limited progress”, “some progress” and “no progress” are showing the reality or quality of the implementation of those recommendations.

The labour market in Slovakia is slowly becoming more inclusive as a result of the influence of EU policies in Slovakia.²⁰ The main barriers to fully inclusive labour markets are the lack of administrative capacity to implement all common principles that promote inclusive labour markets as well as the lack of financial resources to develop the necessary tools for implementation. As Caritas CARES report 2015 for Slovakia states, “quality services are only accessible to those who can afford to pay for them and who do not have to use public transport to access them.”

Recently adopted programmes:

Thanks to dedicated EU funding, it has been possible to develop innovative projects, particularly for the activation of young people and long-term unemployed. The activation of long-term unemployed was achieved through support to local governments and specific help in social services for those who are in material need. Unemployed people above 50 years of age are entitled to 12 months of financial support. However, social benefits are conditioned to employment.

The activation of young people is achieved through a number of programmes:

“Via praxis to job”: for young people under 26 years of age, nine months of wages are supported via Labour offices.

Post university employment until 29 years of age: employers are entitled to get nine months of wages.

Finally, to start one’s own trade or business, it is possible to get financial support for 2 years until an applicant turns 29 years old. Although these measures certainly are a move in the right direction, their effectiveness remains to be evaluated, as does the potential reality of age discrimination in the policy.

CSR3. Improve teacher training and the attractiveness of teaching as a profession to stem the decline in educational outcomes. Increase the participation of Roma children in mainstream education and in high-quality early childhood education.

The implementation of this has begun, only with similar results as CSR2. Caritas Slovakia agrees with the Commission’s evaluation of “limited” to “no progress”.

Recently adopted programmes:

- National project of education of pedagogical personal towards inclusion of marginalised Roma communities, which, in addition to traditional education contained social inclusion and inclusive education. It covered 200 schools and 22,000 marginalised pupils;
- PRINED (Project of Inclusive Education) training for teachers and educators for an individual approach to adapt children from marginalised communities in 100 basic school and 50 pre-school institutions.

Previous CSR implementation:

Referring to the previous CSR for 2014 and earlier, there is regular progress. Here are some critical examples:

There are many presentations in companies on how to activate people, but their effects are not visible, because, in spite of the above-mentioned projects towards unemployment, people are still getting minimal wage for limited period of time, which is no motivation when they know that they will be unemployed soon.

There are many Agencies of Temporary Employment, many of whom behave in synergy, to take on people forever to 3 months limited contracts. Agencies are getting money for mediation and people are in unstable cycles with little

²⁰ OECD, 2013, “Better policies” series on Slovak Republic: “Forstnering an inclusive job-rich recovery”.

to no ability to find a permanent job, which is counter-productive.

Slovakia struggles from an environment latent with corruption, black market employment (to avoid taxation), and inhuman conditions (even from foreign companies) are forcing many people to leave the country (mainly nurses, IT people and workers in the building sector...)

National implementation of the ESF 20% earmarking for social inclusion and the fight against poverty:

Caritas Slovakia and other NGOs generally have problems to reach ESF funds via Slovakian governmental agencies. This is part due to the corrupt environment (i.e. funds are governed by political persons, used for political friends and do not benefit the common people).

15. SPAIN

CSR3. Promote the alignment of wages and productivity, in consultation with the social partners and in accordance with national practices, taking into account differences in skills and local labour market conditions as well as divergences in economic performance across regions, sectors and companies. Take steps to increase the quality and effectiveness of job search assistance and counselling, including as part of tackling youth unemployment. Streamline minimum income and family support schemes and foster regional mobility.

The application of labour reform prevents the fair distribution of wages according to productivity. Implemented measures are identical to those applied in the last 5 years and continue to overlook unemployed people over 45 years of age as well as the long-term unemployed. There is still no legitimate system of minimum income.

As it relates to streamlining minimum income schemes and family support, Caritas Spain has no evidence that there have been changes in Spain since July 2015. The project initiated by the Ministry of Health, Social Services and Equality aimed to review the minimum income schemes has not yet concluded any diagnosis nor developed proposals to improve the adequacy of the system to present and future needs.

The main challenges remain: the systems present heterogeneous requirements and conditions (access criteria, delivery ways, amount and duration), incompatibility with other benefits of the social security protection system, and incompatibility with work, failing to address in-work poverty (part-time contracts of very short duration, other situations that do not reach a wage that ensures decent living conditions, etc.).

Concerning **recently adopted legislation** on these issues, specific programs dedicated to youth employment are the only ones that have been launched.

Previous CSR implementation:

The Spanish government has the third sector entities grouped in the Third Sector Platform, PTS, where Caritas Spain participates. However, Caritas Spain regrets that most of the contributions it has presented to PTS have not been taken into account, to date. PTS has made the comparison between the NRP 2015 and 2014, highlighting the following aspects:

Key issues such as fair redistribution effort to exit the crisis and recovery without affecting the welfare system have been incorporated. A **Plan Against Poverty** has been set up, which, to date, has not been implemented, including concrete measures to guarantee income, such as the implementation of the Specific Jobs Activation Programme, increasing the number of recipients of regional minimum income and budget compared to 2014, or 20% increase in certain non-contributory pensions and assistance.

The **National Comprehensive Strategy for the Homeless** to be adopted in 2014 was in fact adopted end of 2015, to be implemented in 2016) and the legislation reform on child protection was only adopted in 2015 and yet to be implemented. The 2014 Law of Third Sector Social Action and reform of the 2015 Law of Volunteering should also be presented.

With regard to taxation measures, the NRP 2015 incorporates measures to achieve a more equitable tax system, with a greater reduction in interest rates for medium and low incomes, enabling more than 20 million taxpayers to gain available income. It also includes actions to protect the most disadvantaged groups, although, of course, these are not sufficient for families with very low income or no income.

As for the promotion of employment, 2015 measures are incorporated into the PNR to strengthen the effectiveness of active employment policies and public employment services, giving priority to those groups with greater difficulties in accessing the labour market and with fewer resources, and supporting the self-employed, lowering taxes on those with low yields.

NRP 2015 finally states the need for an active social support with measures, such as the significant budgetary impulse of the Concerted Plan for attention to dependence and strengthening the work developed by the Third Sector on Social Action.

Important factors were overlooked, such as the reduction of working population due to emigration abroad of the unemployed nationals and the return to their countries of origin for migrants. We recommend these to be incorporated in the employment data. Meanwhile, data from social action organisations indicate an increase in the unemployed population during 2014, with unemployment reaching 65% of beneficiaries of the Spanish Red Cross and a similar percentage for Caritas Spain.

The 2014 NRP was promoting part-time contracts and flexible working time management as well as the promotion of permanent contracts through the reduction of Social Security contributions. The latest EPA data show that permanent contracts are in the minority, while most new contracts are part-time, temporary or seasonal. A continuation of this policy will only further increase precariousness and in-work poverty.

Problems remain, such as greater access to employment for Spanish nationals and a continuous increase in long-term unemployment.

We also recommend that specific measures aimed at groups with special difficulties in accessing the labour market, such as those over 55 years of age, young or long-term unemployed and people with disabilities should be accompanied via assertiveness training and anti-discrimination actions.

Right to housing:

While progress has been made in regulating the situation of mortgagors (with various forms of debt payments, suspension of releases and payment in kind), and the creation of a Social Housing Fund with houses from bank foreclosures, it is also true that a real modification of mortgage and the civil system have not been undertaken, as requested by the Court of Justice of the European Union, and there is no consideration of human rights in the design of public policies for social housing. We face a disastrous situation in the country, with over 500,000

expulsions carried out in recent years, mostly from rental housing. Caritas Spain is calling for a Social Pact for Housing, a public real estate for social housing as well as alternative forms of property ownership.

National implementation of the ESF 20% earmarking for social inclusion and the fight against poverty:

We at Caritas Spain find especially worrying the impact on the third sector of the upcoming **reform of the General Subsidies Act**. This document states the need "to strengthen transparency in the awarding of grants, set limits on public financing of certain forms of private spending or eliminate duplications." This section refers to job creation priorities set in line with the programming of the Structural Funds allocated to Spain in the period 2014- 2020.

The European Social Fund 2014-2020 allocates a minimum of 20% of the funds for poverty reduction and social inclusion. Our concern on this issue is how this will be assigned, and how the 20% earmarking for the fight against poverty and social exclusion will be effectively implemented and monitored, especially at the regional level. In practice, the 20% are used to improve the employability of target groups, mainly young people, to facilitate incorporating them into the labour market and generate a subsequent reduction of the poverty rate.

Spain has implemented the ESF 20% through the development of initiatives for job activation, mainly through the youth employment initiative. Caritas Spain has benefited from this new way of funding through the Youth Employment Initiative. In spite of this, recent data do not indicate that the youth sector has made progress in unemployment reduction. Results of the 4th Quarter 2015 EPA shows that young people, aged 16 to 24 years, have suffered a significant increase in both the unemployment rate and long-term unemployment, and their occupation and activity rate have decreased. Additionally, the quality of jobs they access do not take them out of poverty, and they often leave the "poor unemployed" to join the "occupied poor", meaning in-work poor:²¹

- A social inclusion strategy cannot solely focus on employment activation measures which, even when they are successful, do not even guarantee households to move out of poverty.
- An inclusion strategy based on employment activation cannot guarantee full social inclusion, since such a strategy excludes de facto all groups with low employability potential.

16. UNITED KINGDOM

CSR 2. Take further steps to boost supply in the housing sector, including by implementing the reforms of the national planning policy framework.

The government is currently consulting on changes to the national planning policy framework. Some of the changes are welcome and will boost housing supply, for example, support for new settlements and increasing the use of brownfield land and small sites. Caritas UK is concerned, however, that the proposed change to the definition of "affordable housing" will reduce housing provision accessible to people on low wages and with larger families. We are also concerned that the discount being applied to Starter Homes is a one-off grant and the homes in question will not remain affordable beyond the first owners.

²¹ Results of the 4th Quarter 2015 EPA establish the proportion of workers at risk of poverty at 14.2% and workers at risk of poverty and exclusion (Arope) at 17.6%.

The number of homes being built has increased from the low point of 2008 but the cost of homes to buy or rent privately are both beyond the means of people on median or below median incomes. Many of the current policies to help generate housebuilding focus on consumers' access to finance, for example the "Help to Buy" scheme, without having a significant impact on the number of homes being built. This, therefore, has had an impact on house prices as more people are provided with access to finance without a sufficient increase in the supply of housing.

The Housing and Planning Bill is now in Parliament, which will introduce new measures to encourage home ownership and greater participation of small builders and self-builders in the UK housing market.

Impact of legislation on groups concerned:

The provision of housing for people who are dependent on benefits because of age, physical or mental illness, or unemployment has become worse. More households are living in Temporary Accommodation because they have been found to be homeless (66,980 households including 99,000 children in January 2016) and 2,744 individuals were counted in the annual rough sleeping snapshot in November 2014. Increased dependence on the private rental sector, due to the shortage of social rent properties, has resulted in the most common cause of homelessness, namely, the end of a shorthold tenancy.

Housing Associations, which had stepped in to fill the gap left by local authorities (building on average 18,000 homes a year from 1978-2013),²² have also had their funding reduced by Government. The Caritas UK has reached a point where Housing Associations have to reduce the number of affordable homes they build. This has had an adverse impact on the poorest households, as Registered Social Landlords (RSLs) and Housing Associations have changed the way they operate. Over the past year, Nugent Care (a Caritas charity) has increasingly provided clients with money for rental deposits as RSLs are demanding money in advance from prospective tenants. Whereas, in 2013, there were no requests for advanced rent from RSLs, clients from their housing service in 2015 were required to pay advanced rent. Often, the only alternative for them would be to visit a loan shark or a high-interest payday loan, with dire consequences on the financial stability of the household.

The price of home ownership and affordable rented accommodation in London is of particular concern. The value of London property rose by almost 20% in 2014 and over the last decade, it rose by 61.1%. The London residential property market is now worth more than the combined property markets of the North of England, Northern Ireland, Wales and Scotland. Some Caritas members have found that the cost of London rents makes it difficult for them to recruit staff.

CSR3.1 Address skills mismatches by increasing employers' engagement in the delivery of apprenticeships.

There are over 200 different types of apprenticeships currently available in England, and apprentices can receive qualifications ranging from those equivalent to 5 GCSE passes to those equivalent to a degree.

There were past concerns, where detailed input to individual apprentice skills was neglected in some apprenticeships, which remain valid. There are, however, some examples of first class apprenticeships.

Whilst a grant of £1,500 is also available to small employers who take on an apprentice, aged 16 to 24, the majority of SMEs do not have the capacity and resources to train apprentices. It is therefore unlikely that the government will achieve its target of 3 million apprenticeships in England between 2015 and 2020.

²² KPMG, [Building the homes we need: A programme for the 2015 Government](#), April 2014.

CSR3.2 Take action to further reduce the number of young people with low basic skills.

There continues to be a concern about the lack of additional funding for basic skills in English and maths, and increasingly in IT. St Anthony's Centre in Salford has anecdotal evidence of some training and apprenticeship providers preferring students who already have English and Maths GCSE's at Grade C or above. This is because they will not need to incur the cost of providing this extra provision. This situation disproportionately disadvantages those who are already disadvantaged. Caritas UK therefore advises for adequate additional funding for providing basic skills in English and Maths.

CSR3.3 Further improve the availability of affordable, high- quality, full-time childcare.

The shortage of affordable, quality, full-time childcare has continued to worsen across the UK. Please refer to our assessment on previous CSRs below, which covers developments in 2014-16, as this recommendation was given both in 2014 and 2015.

Recently adopted Legislation:

a) Apprenticeships and skills mismatches:

From April 2016 employers will no longer pay secondary Class 1 (employer) national insurance contributions for apprentices under 25 years of age, earning up to the Upper Earning Limit, to increase the number of apprenticeship starts. Apprentices have the same rights as other employees and are entitled to be paid at least the apprentice rate of the national minimum wage. As this will be increasing later this year, it may have a negative impact on apprenticeship starts. According to a House of Commons Briefing:

*The Government set out its intention to create a duty to report on progress to meeting the target of 3 million new apprenticeships by 2020. Public sector bodies will be required to employ apprentices and be set targets to increase apprenticeship numbers. (...) The Government has also announced that it would give apprenticeships the same legal treatment as degrees and protect the term "apprenticeship", in the Enterprise Bill. (...) new apprenticeship standards are being developed by employer led groups known as "trailblazers". A new funding pilot is being trialled for these standards giving employers greater control over spending on training delivery. The Apprenticeship levy will be rolled out in April 2017 and paid by 2% of UK employers. It will raise over £3 billion a year by 2019-20. This is the highest investment in real terms ever made for apprenticeships.'*²³

b) Young people with low basic skills:

Giving employers greater control over spending on training delivery may not address their possible avoidance of incurring costs for basic skills training by their preference to choose those who already have GCSE at Grade C or above in English and maths.

c) Affordable, high-quality and full-time childcare:

The Child Care Bill 2015-16 is awaiting Royal Assent, which will require the Secretary of State for Education to secure free of charge child care of 30 hours in each 38 weeks of the year for qualifying children, aged three to four years, of working parents. Please refer to our assessment on previous CSRs below, which covers developments in 2014-16 as this recommendation was given both in 2014 and 2015.

Impact of legislation on groups concerned:

There is an on-going concern that existing and future provision of childcare, as outlined in the Child Care Bill 2015-16, may not be sustainable. The National Day Care Nurseries Association Annual Nursery Survey 2015 found that

²³ <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN03052>

with the existing 15 hour provision, 85% of nurseries in England reported losses averaging £800 per child per year for three and four year old places.²⁴

In addition, there is concern that children in poorer areas are still not accessing formal childcare and this has not been addressed. The Department for Education Childcare and Early Years Survey 2014 to 2015 (issued March, 2016) showed that *'usage of formal childcare was progressively less widespread as area deprivation levels increased; 65% of children living in the least deprived areas received formal childcare, compared with 49% of children living in the most deprived areas. There have been no changes in uptake of formal childcare by area deprivation level since the last survey in 2012- 13'*²⁵

Please refer to our assessment on previous CSRs below, which covers developments in 2014-16 as this recommendation was given both in 2014 and 2015.

Previous CSR implementation:

2014 CSR4 included: "Continue efforts to reduce child poverty in low-income households, by ensuring that the Universal Credit and other welfare reforms deliver adequate benefits with clear work incentives and support services. Improve the availability of affordable quality childcare."

The Welfare Reform and Work Bill is of particular concern to Caritas UK, especially the two-child limit for Child Tax Credits (and their equivalent under Universal Credit) and the removal of the income related child poverty targets. Ministers suffered a defeat in the House of Lords and House of Commons as peers and MPs voted in favour of an amendment retaining the requirement for the government to publish income-related figures for child poverty. For Caritas these figures are essential to make international comparisons and to review and improve policies addressing child poverty in the UK.

2015 The Annual Child Care Costs Survey²⁶ highlighted that, "Over the last Parliament the cost of a part-time nursery place for a child under two has increased by 32.8%." This year, for the first time outside of London, the lowest income parents who claim help with childcare costs through Working Tax Credits will find that the maximum they can claim – £175 a week – will not even cover their part-time childcare costs.

There is an ongoing issue of childcare sustainability. The House of Lords Select Committee report on Affordable Childcare (2014/15) stated that: "The PVI (Private, voluntary, independent) sector is an important stakeholder in the delivery of the Government's free early education entitlement policy. 60% of 3 year olds and 96% of disadvantaged 2 year olds who are accessing their entitlement are doing so in a PVI setting" (Parag. 83).²⁷ The Committee expressed concerns that the lower rate of funding to the PVI sector, as opposed to the maintained sector, made it difficult to sustain these childcare places. Whilst childcare affordability has been a policy aim of successive governments, in practice this is achieved through supply-side subsidies to providers and demand-side subsidies to parents (e.g. tax credits). The system is therefore complicated for parents and not as cost-effective as supply-side subsidies to providers.

2016 The Annual Child Care Costs Survey undertaken by the Family and Childcare Trust for 2016 found average prices for childcare increased just above inflation throughout Britain for the first time in eight years. More town councils over the last year reported gaps for free early education places for three and four year olds. In England the number of local authorities reporting a lack of places for three and four year olds doubled, with over a third having difficulties meeting demand. In Scotland childcare prices rose well above the rate of inflation, outpacing those seen across the rest of Britain. In Wales, nursery prices saw the biggest increases with not a single Welsh local authority

²⁴ http://www.ndna.org.uk/NDNA/All_About_Us/Surveys/Annual_Nursery_Survey_2016_England_report.aspx?WebsiteKey=5e278c52-0dec-4482-ad81-d06b25949f8b

²⁵ <https://www.gov.uk/government/statistics/childcare-and-early-years-survey-of-parents-2014-to-2015>

²⁶ Undertaken by the Family and Childcare Trust for 2015.

²⁷ <http://www.publications.parliament.uk/pa/ld201415/ldselect/ldaffchild/117/117.pdf>

reporting enough childcare for families in rural areas. The key findings the report include that:

A family with one child under two in part-time childcare and one child aged five at an after-school club can now expect to pay £7,933 per year for childcare, over 28% of median household income.²⁸

The poorest parents get help with their childcare costs through Working Tax Credit, although there is a maximum cap on the money they can get.

The Childcare Act 2006 requires local authorities in England and Wales to make sure that there is sufficient childcare for working parents, but this year only 45% of councils in England had enough childcare for full-time working parents.

Only 9% of English local authorities had enough after-school childcare for 5-11 year old children, when 28% of them had enough childcare for this age group in 2011.

An estimated 41 300 three year olds are missing out on free early education in England. The survey indicated that 59 local authorities do not have enough free early education places for three and four year olds, up from 23 local authorities in 2015.

There are big differences between areas in the number of childminders per 1,000 children under five. This is important, as childminders often provide flexible childcare and will be needed to make the 2017 extension to free early education work for parents.²⁹

National implementation of the ESF 20% earmarking for social inclusion and the fight against poverty:

One Caritas UK member benefited from ESF funding: St Anthony's Centre in Salford, which is a voluntary sector provider specialising in people with low skills and qualifications. They aim to the socio-economic integration of disadvantaged people by giving them both confidence and skills. For the last 25 years, a significant proportion of their income has been secured through the European Social Fund. More recently, this has involved delivering three contracts: Skills Support for the Unemployed, Skills Support for Redundancy and Workplace Learning. All were based on supporting lower-skilled people in gaining new skills to help them find employment.

ESF is match funded by the Skills Funding Agency and Department for Work and Pensions. Most activity is therefore geared to tangible outcomes such as qualifications, jobs, progression to higher learning. On the basis that these programmes help people into (better-paid) employment, it can be argued that they help reduce poverty but there is not a great deal of impact analysis to support this.

Historically, a small proportion of the ESF budget has been ring-fenced to support activity which, while having employment outcomes as a target, was also focused on reducing poverty/social exclusion among the long-term unemployed and vulnerable groups. Awarded ring-fenced grants are quite small (£10-15,000) to allow smaller voluntary and community organisations the opportunity to access ESF money. Again, one of the principles behind ESF was that it should be open to frontline organisations dealing directly with hard-to-reach and excluded groups. In this context, a recent positive development has been the decision by the Big Lottery Fund to match fund ESF activity to allow for a wider range of social cohesion activity.

Nonetheless, the focus remains on bringing people closer to the labour market and this can present problems for groups whose work is more welfare/inclusion based, in terms of delivering corresponding job outcomes or

²⁸ ONS data: median equivalised disposable household income for non-retired households in the UK = £28,092 in 2014-15.

²⁹ <http://www.familyandchildcaretrust.org>

demonstrating their employability impact. Distance travelled and social capital tend to have become much lower priorities for ESF than hard outcomes, even though it could be argued that there is greater impact in terms of reducing poverty and inequality by supporting someone who is, say, homeless, unemployed and recovering from an addiction towards employment than supporting those in, or closer to, the labour market.

Although welcome, the Big Lottery Building Better Opportunities programme accounts for only a small proportion of the ESF budget. We would like to see greater (paid) recognition of the groundwork done by voluntary and charitable groups in preparing people to move back into work. Smaller organisations are also unfairly penalised by the current tendering system whereby only large contracts are issued to a prime provider and delivery subcontracted across a supply chain. This is even the case for the Building Better Opportunities programme. Not only does this mean that voluntary organisations are excluded from bidding directly for resources (as up until 2011 was always the case), it also means the ESF income they receive is reduced by having to pay management fees of up to 25% of their contract value. To make matters worse, providers can find themselves delivering on behalf of large corporations with no experience or understanding of the work being delivered.

Caritas UK's concern is that ESF has become just another opportunity for private sector organisations to make large sums from government funding. This is fundamentally at odds with the guiding ESF principle to reduce economic disparities between and within member states by focusing all resource on direct support for those in greatest need. We would like to see a return to a more transparent and open bidding process which is not based on financial capacity but relevant experience and expertise in supporting those on the margins.



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