Future for social services of general interest

2009/2222(INI) - 06/06/2011

The Committee on Employment and Social Affairs adopted the own-initiative report drafted by Proinsias De ROSSA (S&D, IE) on the on the future of social services of general interest.

Members recall that the provision of universally available, high-quality, accessible and affordable SSGI within the meaning of the 2007 Commission communication on services of general interest can therefore be regarded as an essential pillar of the European social model and as the basis for a good quality of life and for the achievement of EU employment, social and economic objectives. Social services of general interest (SSGI), and their quality and efficiency, are essential for the achievement of the objectives of the EU's 2020 strategy.

Fundamental Rights and Universality: SSGI encompass statutory and complementary social security schemes and universally available services provided directly to the person, **aiming to enhance the quality of life of all**. They play a preventative, social cohesion and inclusion role and deliver on fundamental rights as proclaimed in the European Charter of Fundamental Rights and the European Convention for the Protection of Human Rights and Fundamental Freedoms. In this context, Members urge the Member States to maintain the availability of accessible, affordable, high quality social services as during the period of fast economic growth, and to guarantee **non-discriminatory access** to these services regardless of gender, income, race or ethnic origin, religion or beliefs, disability, age, sexual orientation or employment conditions.

The report calls on the Member States to ensure the availability, within policies geared to achieving a work-life balance, of accessible, affordable, good-quality, diversified forms of care services for children as described in the Barcelona objectives.

Members emphasise that, where SSGI are concerned, the **subsidiarity principle** must take precedence over internal market rules. SSGI are funded mainly by the Member States, as they fall primarily within their field of competence. Members consider nevertheless that the European Union can play an important role and assist Member States in their modernisation and adjustment to new conditions. The report stresses the importance of conducting, as a matter of urgency, an assessment of the social consequences and impact on people’s lives of liberalisation measures in sectors that are essential to social progress and urges the Commission to prevent any further liberalisation measures from being taken until this assessment has been submitted. It stresses that it is important to reinforce the social dimension of the single market and to take better account of the special nature of SSGI, with emphasis on a pragmatic approach in which the accessibility, universality, fairness, quality and efficiency of such services are the prime considerations.

Economic contribution: noting that SSGI must not be defined by their economic impact, Members confirm that SSGI make a major economic contribution in terms of jobs, economic activity and purchasing power and that the health and social services sector accounts for 5% of economic output and employs 21.4 million people. They stress that, regional and local authorities play a fundamental role in defining, financing, providing and attributing SSGI within the framework of Member States’ social service and social protection systems: it is estimated that the local and regional government sector is worth 15.9 % of EU-27 GDP, with local government alone accounting for 12.9 %, and its social protection expenditure accounting for 3 % of GDP (EUR 378.1 billion). National, regional and local authorities should extend the application of Public-Private Partnerships in the area of SSGI in order to increase their efficiency and availability.

Social contribution: the report highlights the need to review liberalisation policies in order to promote a policy of social progress, ensuring universal access to high-quality public services. It stresses that it is **inappropriate for public funds allocated to SSGI to be used otherwise than to fulfil the objectives of the service**.

The legitimate objective of profit maximisation which underlies private commercial provision of commercial services conflicts unacceptably with the principles and objectives of SSGI. Members are of the opinion that where Member State authorities choose to use indirect delivery of SSGI, the general interest must be protected, and that they should, while ensuring quality, innovation, efficiency and cost effectiveness, support social economy enterprises, where any surplus is reinvested in the service and in innovation, and encourage them to operate as providers. They recall that the traditional role of the state as provider of social services of general interest, yet considers that opening up this sector to private service providers will enhance the accessibility and quality of services and increase consumer choice. Overall, Members reaffirm their commitment to modern, high-quality SSGI, which are a means of giving effect to many of the values embodied in the European project.

Regulatory constraints on delivery of SSGI: according to Members, the national, regional and local authorities engaged in providing or mandating SSGI need **legal certainty** for their services and expenditures. They stress that national and local authorities are responsible for ensuring that SSGI operate properly and for maintaining a high standard of quality. They consider that it is neither efficient nor democratically acceptable that current interpretation of legislation results in the ECJ being continually asked to adjudicate on the limits of single market rules with regard to SGI, including SSGI, which is a clear indication of the lack of legal certainty.

Economic and budgetary policy: Members emphasise that SSGI are an indispensable investment for Europe's economic future, and that they are under severe pressure in some Member States as a result of the economic and banking crises and government austerity programmes, which are resulting in even greater demand for them. The report points out that the economic and financial crisis and the austerity policies imposed by Member States should not encourage disinvestment in SSGI but that, on the contrary, given their importance and absolutely essential nature, such services need to be consolidated in order to meet people's needs. Members believe that in order to guarantee delivery of high-quality SSGI, Member State governments need to provide for an adequate financial framework for SSGI, which guarantees continuity of services with stable financing. The report notes that Member States need new income.

Deficiencies in the regulatory framework for SSGI: there is a broad European consensus that SSGI are essential to the well-being of our peoples and an efficient economy and that while there has been some progress in addressing the difficulties that arise for providers in the delivery and development of SSGI from the application of EU rules to such services, there is no consensus so far within or between the Commission and the Council on the implementation of further practical measures to overcome the obstacles identified by stakeholders. The report emphasises that it is for Member States and local authorities freely to decide how SSGI are funded and delivered, so as to ensure that their social objectives are achieved. In this context, Members call on the Commission and the Member States to respect the diversity of the methods of organising and managing SSGI, of their resources and of the methods of funding these services. They call on the Member States to reverse 'reforms' which have institutionalised market-based models of welfare provision, with competition and tendering obligations, and to cease promoting public-private partnerships.

State aid: Members call for **clarification of basic principles on the control of state aid** to enhance legal certainty and transparency for clarity of concepts such as 'act of entrustment' and 'public authorities' and for the introduction of **differentiation in the rules**. They call on the Commission to reassess the appropriate level of the de minimis threshold applicable to SSGI and to propose a system which takes into account Member State GDP in calculating the de minimis threshold, so that a specific de minimis

threshold can be calculated for each Member State, thus preventing distortions of competition caused by the existence of a uniform, EU-wide threshold. The report points out that neither the sector, the status of an entity carrying out a service nor the way in which it is funded determines whether its activities are deemed economic or non-economic, but rather the **nature of the activity itself** and its preventive effect.

In the framework of current EU legislation, Members call for clarification of the concepts and reform of the classification criteria used to differentiate between economic and non-economic SSGI, and for a common understanding of SGI with a view to ensuring that their intended aims can be achieved.

Procurement: Members emphasise that public procurement rules need to be simplified so that SGI obligations can be efficiently and effectively fulfilled. Tendering in the field of SSGI can be an acceptable means of selecting a provider, but the report emphasises that other transparent forms of provider selection may allow greater flexibility. The Commission is called upon to recognise **alternatives to public procurement** for the delivery of SGI, including SSGI, such as 'in-house' and 'service concession' methods, and explicitly accord equal legal value to all options for the contracting and financing of SSGI. The report calls for the extension of the concept of 'most economically advantageous offer' such that calls for tender and procurement contracts, as well as subcontracts for provision of SGI, including SSGI, would have to include the relevant Member State's national and/or local social, environmental and service quality criteria, which should be linked to best international practice.

Initiative to Advance Reform: Members urge the Commission to undertake a programme of reform, adaptation and clarification to support and recognise the specific non-market characteristics of SSGI, to ensure full conformity not only with single market provisions but also with the social obligations of the Treaties.

According to the Members, a **compulsory framework** for certain categories of SSGI needs to be explored. They consider that an EU framework regulation on SGEI, permissible under Article 14 TFEU, is not the central issue at this time. The report proposes the establishment of a high-level multi-stakeholder working group which is open, flexible and transparent, broadly representative of stakeholders and focused on achieving reforms such as the policy initiatives. This working group shall be co-chaired by the European Parliament and the Commissioner responsible for Social Affairs.

European Voluntary Quality Framework: Members urge Member States to use the VQF to draw up or improve existing monitoring and quality accreditation systems as appropriate for each Member State. They consider that the VQF principles could be used to help define service quality criteria for application to revised public procurement rules for tendering and contracts, including subcontracts. Lastly, they propose that further improvement of the VQF should include reference to funding and service provider status.