



Policy Briefing

Understanding the Social Investment Package and Social Innovation

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The Social Investment Package

On the 20th February 2013, the European Commission adopted its so-called Social Investment Package (SIP) for Growth and Cohesion. The SIP aims to encourage Member States to enhance people's capacities and support their participation in society and the labour market. It involves *spending more effectively and efficiently to ensure adequate and sustainable social protection; investing in people's skills and capacities; and ensuring that social protection systems respond to people's needs at critical moments during their lives*. The SIP consists of a [framework Communication](#)^I, accompanied by a Recommendation on [Child poverty](#)^{II} and various Staff Working Documents on [demographic changes](#)^{III}, the implementation of the [Active Inclusion](#)^{IV} Recommendation, [Social Services of General Interest](#)^V, [Long-Term Care](#)^{VI}, [Homelessness](#)^{VII}, [Investing in Health](#)^{VIII} and the [European Social Fund](#)^{IX}.

The concept of *Social investment* or *Socially Responsible Investing* has actually been around for decades. Its modern definition dates back from the 1960s and can be summarised as *the provision and use of capital to generate social as well as financial returns*¹. Social investors weigh the social and financial returns they expect from an investment in different ways and they will often accept lower financial returns in order to generate greater social impact. EU decision-makers see Social Investment as a growth market because more and more people are attracted to the idea of using profit for social good. The Social Investment Package therefore aims to help Member States foster this trend and use their social and health budgets more efficiently and effectively, by promoting best practices and providing guidance.

The Social Investment Package builds on the idea that *“Welfare systems have contributed to improving social outcomes but are confronted with the consequences of demographic change and of the financial and economic crisis”* and that in the context of a shrinking labour force and increasing dependency ratios, it is essential to *‘prepare’ people to confront life's risks, rather than simply ‘repairing’ the consequences*. To do so, the SIP will encourage Member States (through the European Semester, Country-Specific Recommendations, the European Social Fund, etc.) to invest in human capital and develop new social security schemes which maximize the potential of every citizen (i.e. activation measures).

The overall goals are therefore to:

- Modernise public services in order to improve their sustainability and adequacy. This includes the development of social inclusion and asset-based strategies for poverty reduction and community development - and in particular, the search for scalable initiatives in social policy and programmes (i.e. social innovation and social experimentation). This might also imply the creation of quasi-markets² in health, social housing, social care, offender management and rehabilitation, work integration, etc.

¹ Big Society Capital - <http://www.bigsocietycapital.com/what-social-investment>

² A quasi-market is a public sector institutional structure that is designed to reap the supposed efficiency gains of free markets without losing the equity benefits of traditional systems of public administration and financing. Le Grand, J. (2002) The Labour Government and the National Health Service. Oxford Review of Economic Policy.

- Upgrade activating and enabling policies (the Active Inclusion Strategy^x), including through establishing reference budgets to help with the designing of efficient and adequate income support
- Invest throughout the individual's life - aiming at responding to people's needs at critical moments throughout their lives and paying particular attention to children and child poverty

The Social Investment Package not only provides a new EU policy framework for reforming, sustaining and strengthening EU social protection and health systems. In doing so, it also offers opportunities to mainstream health in policies affecting the social determinants of health through the development of integrated approaches – provided that these reveal cost-effective.

Investing in Health

The Social Investment Package includes a Staff Working Document specifically focusing on health. The *Investing in Health* paper establishes the role of health as integral to the Europe 2020 strategy and reaffirms that health is a value in itself as well as a precondition for economic prosperity. Health spending is described as 'growth friendly' expenditure. The paper does note that *financial sustainability may require cuts to healthcare budgets as some Member States need to curtail health costs in the short term* but also warns that *sudden significant reductions in healthcare budgets risk creating new inefficiencies, undermining access to and the quality of care, damaging health outcomes and ultimately jeopardising the sustainability of the health system even more by increasing costs*. The document therefore suggests a careful assessment of effectiveness of measures and notes that *evidence shows that the relationship between healthcare expenditure and health outcomes is not linear*.

The Investing in Health document is articulated around four main elements:

- Investing in sustainable health systems
- Investing in people's health as human capital
- Investing in reducing health inequalities
- Investing in health through adequate support from EU funds

Smart investments for sustainable health systems

According to the Organisation of Economic Co-operation and Development (OECD), reforms in healthcare could lead to savings of, on average, 2% of GDP by 2017. Efficiency gains can be made by, for example, reducing unnecessary hospitalization and use of specialists, strengthening primary care, encouraging the use of less expensive equivalent (generic) drugs, and using health technology assessment to evaluate the cost-effectiveness of health technologies as a basis for decision making. Innovation and health technologies are also explored for their potential to improve efficiency and under certain conditions help increase cost-efficiency. Examples of successful e-health developments include health information management and networks, electronic health records, telemedicine services, wearable and portable monitoring systems and health portals.

Efficiency can also be achieved by ensuring a balanced mix of staff skills, addressing the uneven distribution of health staff across regions and anticipating staff needs due to ageing. Potential retention measures include improved working conditions, career advancement and encouraging continuous professional development.

The 'Investing in Health' paper, echoing previous reports by DG ECFIN, also underlines the potential added value of better health promotion and disease prevention in and outside the health sector. This could include measures designed and implemented jointly with other sectors that have a major impact on health, such as education, housing, environment, employment.

Finally, the document suggests a three-pronged analytical framework to assess the efficiency of health systems:

1. The definition of sound, reliable indicator(s) of health outcomes, building on the existing European Community Health Indicators^{xI},
2. A better understanding of the effects of health systems on health outcomes, as distinct from the impacts on health of other factors such as health determinants and lifestyles, and
3. A better understanding of the mechanisms, and therefore the timing, of how health policies affect health outcomes.

Health system reforms are recommended as part of the European Semester, and some Member States include this in their National Reform Programmes (NRPs). In line with the principle of subsidiarity and the EU Treaty, EU member states remain responsible for the organization and delivery of their own health services and care, while the EC holds a coordinating role. An exchange of best practices is currently taking place in the reflection process on modern, responsive and sustainable health systems. To this end, the Commission is setting up a multisectoral, independent expert panel on investing in health and commissioned a number of studies on forecasting EU pharmaceutical expenditure, external reference pricing of medicinal products, reimbursement systems for medicinal products, the economics of primary healthcare financing and the evaluation of public-private partnerships in healthcare delivery.

Investing in people's health

Investing in health allows for people to be productive members of society and health status is linked to productivity in the workplace. Depression, musculoskeletal diseases and unhealthy lifestyle factors largely driven by socio-economic determinants of health (e.g. smoking, obesity and physical inactivity), are associated with reduced on-the-job productivity. In addition, good health can support economic development by enabling people to remain in good health and be active in the workplace for longer.

Allowing people with chronic conditions that do not require hospitalisation to function actively in society and at home and manage their health in close collaboration with healthcare can help people lead more proactive and fulfilling lives. In its working paper, the European Commission highlights the on-going work in the European Innovation Partnership (EIP) on Active and Healthy Ageing^{xII} to allow for citizens to lead healthier, more active and independent lives while ageing.

Another key step is to invest in the health workforce, as the Commission suggested in its 2012 Action Plan for the EU health workforce^{xiii}. The document notes that the health and social work sector has in recent years been the single largest contributor to employment (currently about 10% of employment). While the EU lost more than 2.5 million jobs between 2008 and 2011, the sector generated over 2.8 million new jobs during the same period. This trend is likely to increase with population ageing with an expected eight million job vacancies by 2020. The paper nevertheless acknowledges that the impact of health reforms and organisational and technological changes on staff needs remains uncertain.

The document emphasises that disease prevention and health promotion yield a high rate of return on investment and can reduce long-term treatment costs and improve health outcomes by avoiding tens of thousands of premature deaths and instances of chronic disease. However, little relative importance is currently given to health promotion in budgetary terms. Only about 3 % of current health expenditure is allocated to public health. A wide array of health promotion and disease prevention measures exists, such as public information campaigns in the media, excise taxes on certain products (tobacco or alcohol), bans and stricter regulation on labelling, advertising and selling to health education on school curricula and financial incentives for consumers, patients and providers. Given the potential to contain the burden of disease in the long run, the importance given to health promotion and disease prevention should be reassessed.

Investing in reducing inequalities in health

Although average levels of health have been improving across the EU for many years, major health inequalities still exist both between and within Member States. Differences in life expectancy at age 30 between people with higher education and those with basic secondary education or less exceed 10 years in many Member States. Avoidable diseases and deaths attributable to inequalities in health are a waste of human capital and must be reduced. Universal access to safe, high quality, efficient healthcare services and better cooperation between social and healthcare services, and effective action on risk factors can all help break the vicious circle of poor health/poverty/exclusion. Investments to reduce inequalities can therefore make a positive contribution towards reaching the Europe 2020 poverty and social exclusion targets. The paper also notes that the introduction of user charges in some health reforms could have a negative impact on health inequalities and reduce access to healthcare. Vulnerable populations are disproportionately affected by the economic crisis and poor health could reduce employability prospects. Thus, these measures have to be carefully assessed.

EU Financial Mechanisms for investing in health

EU financial instruments will also be tools for investing in health. The Health for Growth Programme therefore strengthens the link between economic growth and a healthy population and is geared towards measures in line with the Europe 2020 objectives. Horizon 2020 will also finance projects to address the societal challenge of an ageing population and harness innovation in public health and the management of health systems. The EU's Cohesion Policy and its funds can be a tool for Member States to invest in sustainable and innovative health systems, in people's health for employability and in

reducing health inequalities. Investments in urban regeneration, transport, environment, employment, social inclusion and housing can also have positive impacts on population health.

The EU Structural Funds tend to primarily co-finance investments in health by:

- Investing in health infrastructure that fosters a transformational change in the health system, in particular reinforcing the shift from a hospital-centred model to community-based care and integrated services;
- Improving access to affordable, sustainable and high-quality healthcare, in particular with a view to reducing health inequalities between regions and giving disadvantaged groups and marginalised communities better access to healthcare;
- Supporting the adaptation, up-skilling and life-long learning of the health workforce fostering active, healthy ageing to promote employability and employment and enable people to stay active for longer.

As a result, health-related expenditures mainly benefit health care providers and infrastructures. Yet, in order to support health promotion and disease prevention and develop their potential to contribute to sustainable health systems, structural funds should also be targeted at public health as well as indirect health investments. It will therefore be important for stakeholders such as EuroHealthNet to make sure public health actors are regarded as key stakeholders and are involved in key processes. This will imply awareness-raising as well as capacity-building activities designed for a public health audience.

The role of social innovation

The Social Investment Package asserts that “Innovation is an essential element of social investment policy since social policies require constant adaptation to new challenges. This means developing and implementing new products, services and models, testing them, and favouring the most efficient and effective. Social policy innovators need an enabling framework for testing and promoting new finance mechanisms, for instance, and measuring and evaluating the impact of their activities”.

Social innovation has been defined by the European Commission - on the basis of the Open Book of Social innovation^{xiv} - as follows: “Social innovation is about new ideas that work to address pressing unmet needs. We simply describe it as innovations that are both social in their ends and in their means. Social innovations are new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations.”^{xv}

In a nutshell, the idea is to “use public sector intervention to stimulate the private sector and to remove bottlenecks which stop ideas reaching the market. These include lack of finance, fragmented research systems and markets, under-use of public procurement for innovation and slow standard setting”^{xvi}. The creation of the national health service, kindergarten and hospices, the emergence of microcredit, the cooperative and fair trade movements, the open university, the Red Cross movement, Open source softwares and Wikipedia are among the commonly presented examples of social innovation or as President Barroso puts it, “initiatives where the boundary between 'social' and 'economic' blurs”.

Although the development of more effective systems and the emergence of new actors are welcome, it will be essential to monitor the implementation of the SIP at national and local level as policymakers will be tempted to open up services to competition, using new, for-profit providers to “*drive down costs and improve quality within universal social, health and education systems*”.

Why has social innovation become so important?

Existing structures and policies have found it impossible to crack some of the most pressing issues of our times – such as climate change, demographic changes, the worldwide epidemic of chronic disease, and widening inequalities. Government policies on the one hand, and market solutions on the other, have proved inadequate: the market lacks the incentives and appropriate models to solve many of these issues while the silos of government departments are not suited to address complex problems which cut across sectors and states. In addition, civil society lacks the capital, skills and resources to upscale promising ideas. Social innovation therefore presents itself as a major and unavoidable development.

Against this background and given the current political and economic context, the so-called social economy³ is increasingly seen as a driver of improved public services and economic development. In the field of health, the social economy could indeed offer pathways for the development and emergence of patient-centred, universal, equitable and yet cost-effective health services while giving proper attention to health promotion and disease prevention through integrated approaches. This nevertheless presupposes a capacity to reach across sectors and identify win-win options. The question is – is the public health community up to this challenge?

³ Social Economy combines features from the private and the public sectors and includes organizations such as cooperatives, nonprofit organizations, and charities.

References

I [Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020](#)

II [Investing in children: breaking the cycle of disadvantage](#)

III Evidence on Demographic and Social Trends Social Policies' Contribution to Inclusion, Employment and the Economy, [Part 1](#) and [Part 2](#)

IV [Commission recommendation on active inclusion of people excluded from the labour market - Towards a social investment approach](#)

V [3rd Biennial Report on Social Services of General Interest](#)

VI [Long-term care in ageing societies - Challenges and policy options](#)

VII [Confronting Homelessness in the European Union](#)

VIII [Investing in Health](#)

IX [Social investment through the European Social Fund](#)

X Active Inclusion is an EU strategy which aims to promote the social inclusion and social protection of those furthest from the labour market by tackling issues of minimum income, access to quality services and inclusive labour markets in an integrated way. The objective of the active inclusion strategy is to facilitate the integration into sustainable, quality employment of those who can work and provide resources which are sufficient to live in dignity, together with support for social participation, for those who cannot. As of 2008, Member States have agreed to implement this strategy.

XI The ECHI (European Community Health Indicators) consist in a list of 88 'indicators' for the public health field arranged according to a conceptual view on health and health determinants. Within the list, some indicators are already implemented while others are under development and still need further refinement before being accessible in the [Heidi data tool](#).

XII The pilot [European Innovation Partnership on Active and Healthy Ageing](#) pursues a three main objectives for Europe: enabling EU citizens to lead healthy, active and independent lives while ageing; improving the sustainability and efficiency of social and health care systems; and boosting and improving the competitiveness of the markets for innovative products and services, responding to the ageing challenge at both EU and global level, thus creating new opportunities for businesses.

XIII [Commission Staff Working Document on an Action Plan for the EU Health Workforce](#)

XIV [Open Book of Social innovation](#), R. Murray, J. Caulier-Grice, G. Mulgan, March 2010

XV DG Enterprise and Industry - <http://ec.europa.eu/enterprise/policies/innovation/policy/social-innovation/>

XVI [The "Innovation Union" – turning ideas into jobs, green growth and social progress](#), IP/10/1288, 6th October 2010