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**HOW SOCIAL SERVICES HELP MOBILISING THE WORKFORCE
AND STRENGTHENING SOCIAL COHESION
*BACKGROUND INFORMATION***

1. THE ROLE OF SOCIAL SERVICES IN THE EUROPEAN SOCIETIES

Social services cover a wide variety of activities. Mostly they are services provided directly to the person. They include broad services such as child care and long-term care, employment and training services and social housing. But they also embrace more special social support services such as those that are aimed at integrating the vulnerable. Health care services share many characteristics with social services and they are often considered together. There is also an overlap, particularly between social and health care in long-term care services. Statistically the two activities are often covered together¹.

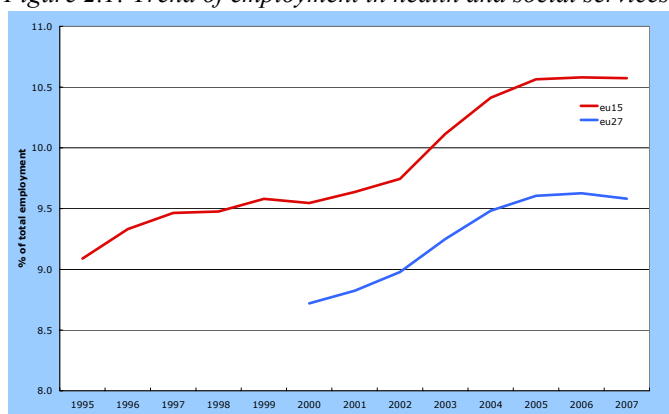
Social services play a vital preventive and socially cohesive role. They enhance the capacity of individuals to participate in society, to fulfil their economic and social potential and to enjoy their fundamental rights. This role is all the more crucial in phases of economic recession when these services form part of the safety nets that help cushion the impact of the crisis and which may act as springboards for people to find a new start. For this reason, social services are an important component of the Recovery Plans developed by some Member States.

2. SOCIAL SERVICES AS DRIVERS OF EUROPEAN ECONOMY

In the European Union (EU-27), the share of employment in health and social services, calculated as the number of persons employed in the sector relative to the total working-age population, grew from 8.7% to 9.6% between 2000 and 2007. In the EU-15 there was an increase from 9.1% in 1995 to 10.6% in 2007 (see Figure 2.1). Women form the bulk of people employed. For men the share rose from 2.4% to 2.7%. For women it grew from 8.4% to 9.8%.

¹ The analysis made in the present section is based on statistical Eurostat or OECD information on health and social services in general. Where possible, health care and different social services are distinguished, although specific information on the different sub-sectors is scarce, particularly on employment.

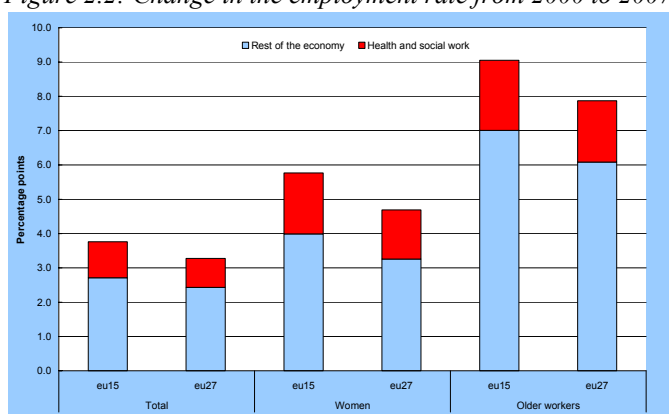
Figure 2.1: Trend of employment in health and social services as a percentage of total employment



Source: Eurostat, LFS

These services have contributed significantly to the increase in the total employment rate for the EU-27 from 2000 to 2007 (see Figure 2.2). Out of an increase of 3.2 percentage points (p.p.), 0.8 p.p. (EU-15: 1.0 p.p) are explained by the growth of employment in the health and social services' sector. For women and older workers, job growth in this sector accounts for 1.4 p.p. of the rise in the employment rate in EU-27 (EU-15: 1.8 p.p).

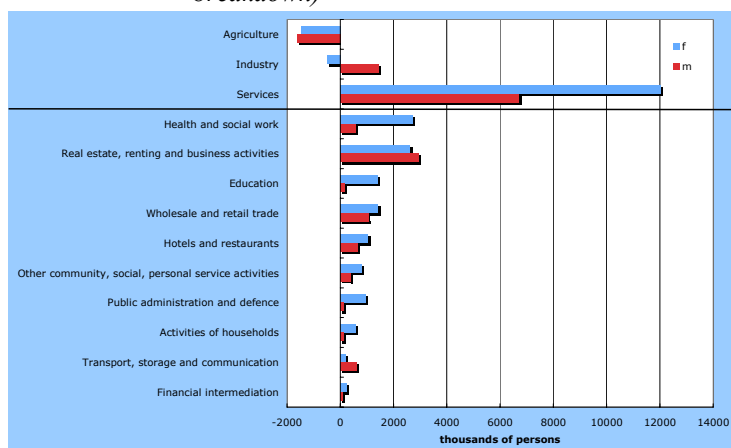
Figure 2.2: Change in the employment rate from 2000 to 2007



Source: Eurostat, LFS

Figure 2.3 below shows that employment in the services' sector increased remarkably between 2000 and 2007, while employment in the agricultural sector was shrinking and it only rose slightly in the industrial sector. Health and social services turned out to be one of the most dynamic sectors, just after real estate, renting and business activities. This sub-sector alone created employment for almost 3.3 million persons, representing about one sixth of the growth in the services' sector as a whole. Employment growth in health and social services alone offset the job losses in agriculture. Women occupied 60.5% of all the new jobs created from 2000 to 2007 while they obtained 82.5% of the new jobs in health and social services.

Figure 2.3: Change in sectoral employment for the EU-27 from 2000 to 2007 (in thousands with gender breakdown)

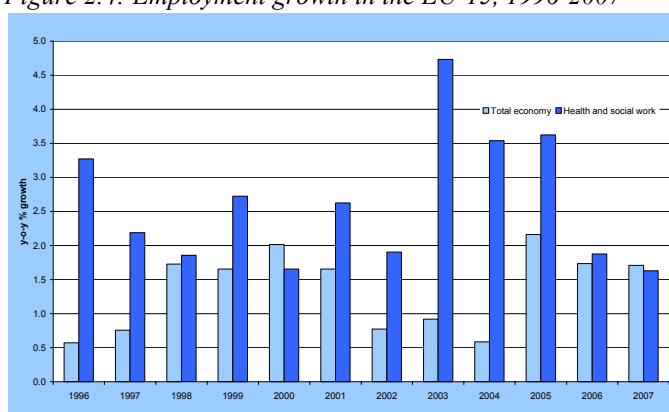


Source: Eurostat, LFS

Health and social services stabilise employment over the cycle

The share of this sector in total employment (see Figures 2.1 and 2.4) increased more strongly during 2003-2005, a period when overall economic and employment growth was weak, and then slowed in the following years, when economic and overall employment growth picked up (2006-2007).

Figure 2.4: Employment growth in the EU-15, 1996-2007



Source: Eurostat, LFS

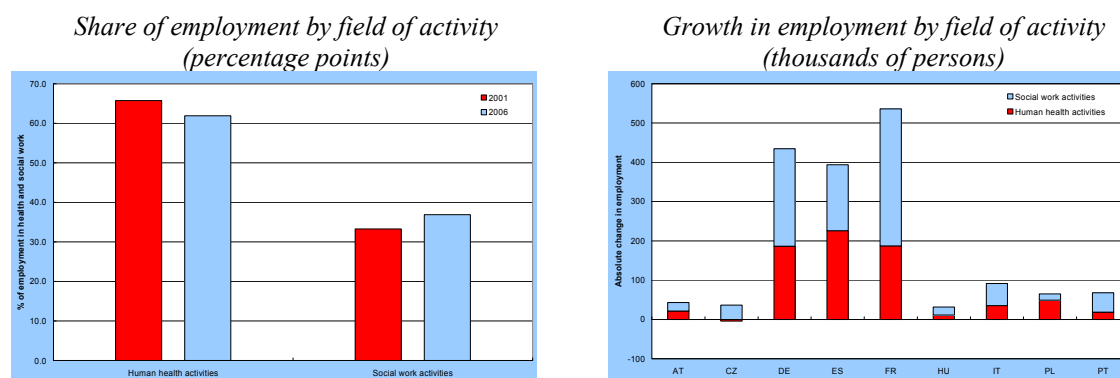
Similarly, economic and overall employment growth was strong in the boom years 1997-2000, but this coincides with a rather stable share of the health and social services' sector in total employment. Hence employment in this sector was already an important source of job growth in recent years and in addition less cyclical than in the overall economy - two relevant findings in view of the present economic circumstances.

Job dynamics of social services - of particular significance

A breakdown of employment between health and social services, available for 2/3 of EU employment in 1/3 of the Member States, shows a rebalancing of employment from health to social services between 2001 and 2005 (see the left panel in Figure 2.5). In that period, the share of employment in health services, the biggest field of activity within the sector, fell from 65.7% to about 62%, while the share of social services rose from 33% to around 37%. The right panel indicates that social services turned out to be the driving force behind employment growth in the health and social services' sector in several

Member States, namely the Czech Republic, Germany, France, Hungary, Italy and Portugal, in the period from 2001 to 2006, whereas it was health services in Poland. In Spain and Austria, the two sub-sectors contributed roughly equally to employment growth.

Figure 2.5: Share and absolute growth in health and social services by field of activity (2001 and 2006)



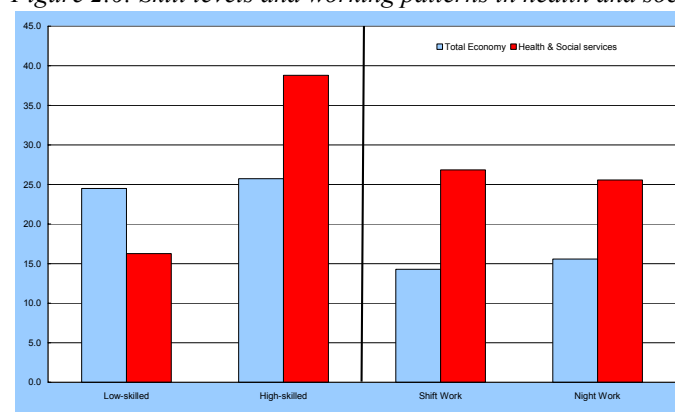
Source: Eurostat, LFS

Note: The change for Italy and Poland is between 2004 and 2006

Jobs in social and health services: high and low skills

When analysing the specific features of employment in the health and social sector compared with the rest of the economy, it appears that workers in these services are generally better skilled and that working conditions are very demanding. Figure 2.6 shows that the proportion of high-skilled workers in the health and social sector is higher than in the total economy and that the proportion of low-skilled workers is lower. It also indicates that the proportion of people doing shift work (26.8%) or working night hours (25.6%) is higher than in the total economy.

Figure 2.6: Skill levels and working patterns in health and social services, 2006



Source: Eurostat, LFS

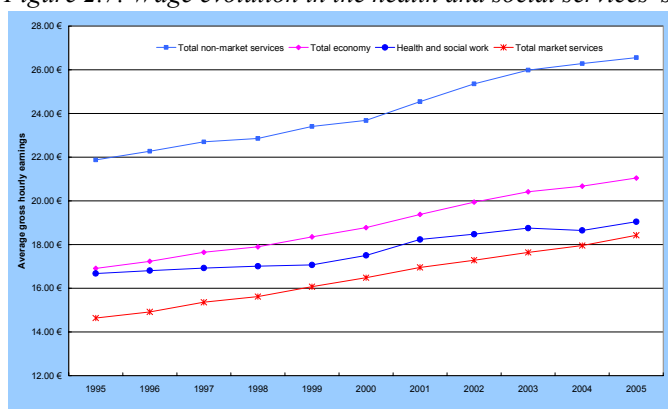
Moreover, it appears that the prevalence of part-time work and of temporary contracts is higher than for total economy. Not surprisingly, turnover is high, staff shortages are frequent, and the influx of workers from non-EU countries has increased.

... but wages are under average

At the same time, in contrast with the above-average educational levels, the higher share of non-standard working hours and the other above-mentioned difficult working

conditions, wage levels have declined relatively, and are now below the EU economy average and well below other non-market services (see Figure 2.7). This is in line with the findings of many studies on the gender pay gap, showing that sectors with high female shares in employment are characterised by low wages.

Figure 2.7: Wage evolution in the health and social services' sector, 1995-2005



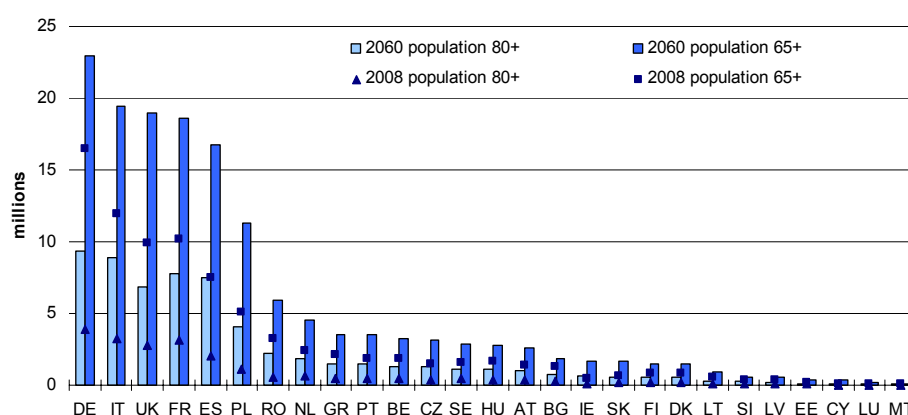
Source: EU KLEMS, Growth and productivity accounts.

The possible consequence of these developments is that in future it will become more difficult to attract qualified employees, which could lead to staff shortages or reduce the quality of services, a frequently mentioned concern among policy analysts and stakeholders.

3. THE GROWING DEMAND FOR SOCIAL SERVICES

The ageing of the European population is a key driver of the growing demand for social services. In the EU-27, the population aged 65+ will increase from 84 to 151 millions, while the population aged 80+ will increase from 21 to 61 millions (see Figure 3.1 below). These figures represent an increase of 79% and of 181% respectively.

Figure 3.1: Population over the age of 65 and 80 in the EU-27, in 2008 and 2060



Source: 2009 Ageing Report: Underlying Assumptions and Projection Methodologies for the EU-27 Member States (2007-2060)

But the growth in the demand for social services will also reflect other deep-rooted trends in the European economies and societies resulting from changes in gender roles and family structures and from more flexible labour markets, technological change and

globalisation. Due to these trends, the demand for social services is becoming more complex: an increasing number of people will need services that are adapted to diversified needs and choices.

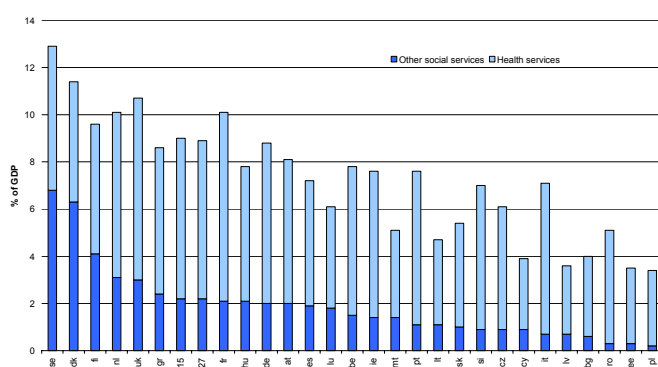
Finally, the need for social services is increased by the current financial and economic crisis, as these services will have to help mitigating the impact of the crisis and support social and economic recovery.

4. EXPENDITURE ON SOCIAL SERVICES

Social protection expenditures in benefits in kind that are directly spent on health and social services amounted in 2006 to 8.9% of the GDP of the EU-27 (See Figure 4.1). It ranged from 12.9% of GDP in Sweden to 3.4% of GDP in Poland.

For expenditure on social services, the average for the EU-27 amounted to 2.2%. Sweden and Denmark spend most (6.8% and 6.3% of GDP, respectively) reflecting the almost universal coverage of child care and long-term care services. The Member States with the smallest spending are Romania, Estonia and Poland, with 0.2-0.3% of GDP.

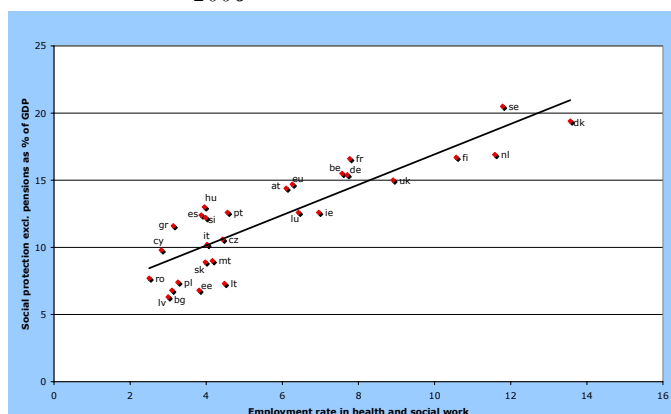
Figure 4.1: Expenditure in benefits in kind, 2006



Source: Eurostat, ESSPROS

Higher social protection expenditure goes together with higher employment in social and health services: plotting the employment rate in the health and social services' sector against social protection expenditure shows a strong relation (Figure 4.2).

Figure 4.2: *Employment in health and social services vs. social protection benefits (excluding pensions), 2006*



Source: Eurostat, LFS and ESSPROS.

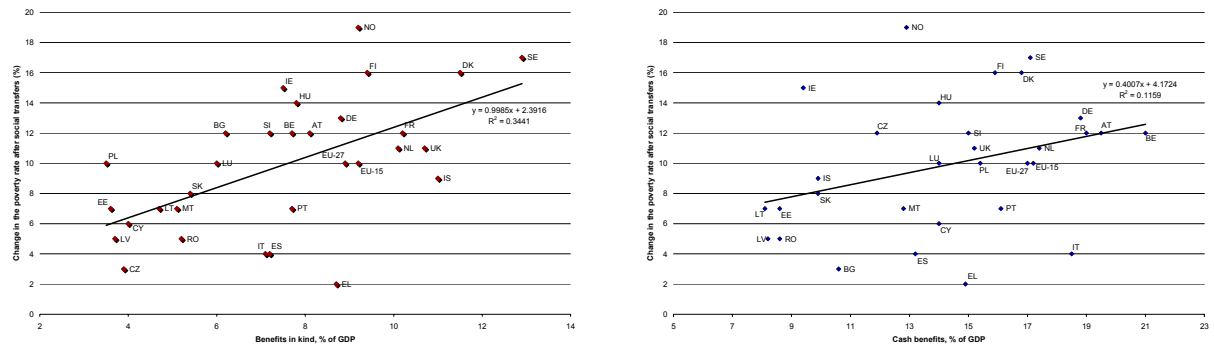
Member States with a high expenditure-to-GDP ratio have a high employment rate in the health and social services' sector and vice versa. The main explanation for this fact is the relatively large weight of wages and salaries in spending on benefits in kind. Salaries can make up to 80% of total expenditure in sectors such as long-term care, disability care or childcare.

Figure 4.2 shows three groups of Member States. In Denmark, Finland, the Netherlands and Sweden the employment rate in the health and social services is higher than 10% and social protection expenditure higher than 15% of GDP. A second group (Belgium, Germany, France, Austria, Luxembourg, Ireland and the United Kingdom) is near the EU average: the employment rate ranges between 6.3% in Austria and 8.9% in the United Kingdom, while social protection expenditure ranges from 12.6% of GDP in Ireland and Luxembourg to 16.6% of GDP in France. In the third group, we find all the Mediterranean and most Central and Eastern European Member States, with the employment rate varying from 2.5% in Romania to 4.6% in Portugal, while expenditure can be as low as 6.3% of GDP in Latvia, or as high as 13.0% of GDP in Hungary.

Spending on social services reduce poverty effectively

Figure 4.3 below shows the correlation between the two main parts of social protection expenditure, i.e. benefits in kind (health and social services) and cash benefits (social transfers), and the change in the at-risk-of-poverty rate before and after social transfers. The left panel shows the change in the at-risk-of-poverty rate vs. benefits in kind while the right panel shows the change in the at-risk-of-poverty rate vs. cash benefits. The correlation is stronger when social protection expenditure takes the form of spending in health and social services than when it takes the form of cash benefits.

Figure 4.3: The change in the poverty rate vs. benefits in kind and cash benefits.



Source: Eurostat, ESSPROS and EU-SILC

SUMMARY

Social services play a vital preventive and socially cohesive role in our societies. Due to population ageing and structural changes in our economies and societies the demand for these services is growing and becoming more complex. Moreover, the need for social services is increased by the current financial and economic crisis. Spending on social services reduce poverty and finance a growing supply of high and low skilled jobs, however at below average wages and with demanding working conditions.