Study on Social Impact Assessment
as a tool for mainstreaming social inclusion and social protection concerns in public policy in EU Member States

EXECUTIVE SUMMARY

June 2010

Introduction

This study was commissioned by the European Commission (DG EMPL) to support mutual learning on social impact assessment within the Open Method of Coordination on Social Protection and Social Inclusion (OMC SPSI). The overall objective is to describe, compare and analyse the different ways in which social impact assessment is currently carried out in the EU Member States, and to identify recommendations for the implementation of effective social impact assessment systems and for effective social impact analysis.

For the purpose of this study, 'impact assessment' (IA) is understood as a tool and process to estimate the likely future impacts of policy proposals. Its ultimate objective is to lead to better informed, more evidence-based political decisions. As far as 'social impacts' are concerned, the study took the definition of social impacts used in the Commission's IA guidance[1] as a starting point, and then developed its own working definition for analytical purposes.[2]

This study was carried out by The Evaluation Partnership (TEP) in collaboration with the Centre for European Policy Studies (CEPS) between November 2008 and April 2010. It consisted of three main stages:

1. General overview (mapping) of the social IA arrangements in the EU at the national and (where applicable) regional level.
2. Comparative analysis of ten well developed / particularly interesting social IA systems.
3. Comparative analysis of a sample of 30 concrete examples of social IAs carried out in the framework of the selected social IA systems.

Main conclusions and recommendations

Very broadly speaking, this study has shown that social IA is still in its infancy in most European IA systems. Where it takes place at all, the assessment of social impacts is often less well developed than the assessment of economic or financial impacts. Examples of IAs that contain an in-depth analysis of social impacts are few and far between; where they do exist, they are most often conducted on policies with specific social objectives.

This is not to say that social impacts are always intentionally neglected in the IA systems that were examined. It can also be a consequence of one or more of the following factors: (1) IA (including social IA) is generally difficult to effectively reconcile and integrate with previously existing policy processes; (2) social impacts can be particularly difficult to assess; and (3) some IA systems place the main emphasis on economic impacts (explicitly or implicitly).

Nonetheless, this study has found that effective social IA is possible. There are pockets and/or isolated examples of good practice in all of the systems that were assessed. Although the circumstances of each system, IA tool and specific case are very different, this study has identified ten common challenges that any country or region looking to set up an effective system for social IA, or to improve their current system, will have to be aware of and address.

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[1] European Commission: Impact Assessment Guidelines, 15 January 2009, p. 35-36. URL: http://ec.europa.eu/governance/impact/commission_guidelines/docs/iag_2009_en.pdf

[2] See section 1.2.2 of the final report.

Key challenge	Summary description
1. Acceptance of IA and buy-in	Where the prevalent policy-making culture does not see IA as a tool and process that adds value, it can easily turn into a mere tick-box exercise.
2. IA process and timing	For IA to fully play its intended role, it needs to start early enough and be understood as a *process* (not just a report) that runs alongside and informs the entire policy development process.
3. Commitment to consider social impacts	Even where social impacts are in principle included within the scope of IA, and the guidance places equal weight on the different pillars, de facto there is often a focus on economic impacts.
4. Definition of social impacts	The term "social impacts" is potentially so broad that it means little to non-specialists. Some form of orientation is needed to guide IA producers towards considering relevant social impacts.
5. The proportionate level of analysis	While it is generally accepted that the depth and scope of the analysis should be proportionate to the significance of the likely impact, defining criteria and mechanisms to operationalise this principle tends to be very difficult.
6. Analytical methods, tools and data sources	The lack of appropriate tools, models or data sources to assess social impacts quantitatively is one of the most frequently cited challenges to effective social IA. Most social IA remains purely qualitative, and often very superficial.
7. Capacity and expertise	In order to ensure that even civil servants who do not regularly deal with social policy have the necessary knowledge to conduct social IA, written guidance needs to be complemented by other methods, such as training and ad hoc support.
8. Stakeholder consultation	When channelled and processed appropriately, input and feedback from stakeholders represents not only an effective quality control mechanism, but can also be an important source of data and information for the analysis of (social) impacts.
9. IA as an aid to political decision-making	One of the main objectives of IA is to inform the political decision-making process, mainly in the legislative branch of government. However, the actual use of IAs by politicians as an aid to their decision-making is currently quite limited.
10. Quality control and system oversight	Effective (internal or external) quality control mechanisms are crucial to ensuring IA quality. The social dimension is not often represented in central quality control / oversight for integrated IA systems.

Some of the challenges listed above (e.g. the timing of the IA process, or the need for effective quality control and oversight) relate to all elements of IA, while others apply only to the social dimension of IA. Focusing on the elements that are specific to social IA, the study goes on to explore potential responses to the following three key questions.

(1) How can Member States ensure a common understanding of what constitutes a relevant social impact?

In order to overcome the lack of a consistent understanding among IA producers (as well as managers and users) of what constitutes a social impact that should be considered as part of the IA process, some form of guidance is required. Some countries and regions have developed lists of types of social impacts, but these tend to be rather lengthy and complex, and often include grey

areas, duplications and/or overlaps. However, this study has shown that the vast majority of social impacts can be summarised under a relatively limited list of impact types, namely:

1. Employment (including labour market standards and rights)
2. Income
3. Access to services (including education, social services, etc.)
4. Respect for fundamental rights (including equality)
5. Public health and safety

This list covers a very large part of the impacts considered in IAs. Crucially, some social impact categories or assessment types that are not included in the list above are actually covered through the combination of the five parameters with specific population groups. For example, social inclusion is normally understood as the result of a combination of most or all of the factors listed above, when applied to those groups that are at risk of social exclusion. It is therefore recommended that Member States examine their respective IA systems (be they integrated systems or specific impact tests) through the lens of these five broad categories of social impacts, with a view to identifying overlaps and gaps, and eventually devising simpler and clearer guidance for social IA.

(2) How can Member States ensure that relevant social impacts are considered and identified, particularly in the early stages of the IA process?

Given the focus on economic impacts that is prevalent in many IA systems, Member States should clarify whether social IA should indeed form part of integrated IA, and how this fits and can be reconciled with the (perceived or real) need to conduct a cost-benefit analysis. If social IA is seen as a key part of IA, this should be expressed clearly in the written guidance as well as in IA training sessions. In addition, the social dimension should ideally be represented in both IA system oversight and in ad hoc assistance (e.g. through the creation of networks of experts).

On a more practical level, there have to be appropriate screening mechanisms or tools to enable and encourage civil servants to actually consider social impacts seriously when producing IAs. Such tools already exist in several systems, but they are sometimes not designed very well. A basic screening framework for social impacts needs to be reasonably easy to understand and concise, as well as guide IA producers thought processes in a clear way. Such a framework could be structured around the five basic impact categories listed above, and require producers to specify which groups are likely to be affected under each impact type.

(3) What approaches, methods, tools and data sources should be used to assess relevant social impacts?

The tension between the quantitative ambitions of most IA systems and the qualitative reality of most social IAs was one of the prominent themes of this study. Developing and disseminating knowledge about tools, methods and data sources to measure social impacts quantitatively should certainly be one priority. As regards monetised methods, the focus should be on widening the awareness and use of existing models (primarily for employment and income effects), and on further developing these models and others to make them applicable to a wider set of geographical and policy situations. Improved quantitative (non-monetised) assessment would require (but also facilitate) the use and development of relevant data sources and indicators.

However, it is also important to set realistic expectations as to which kinds of social impacts can more easily be quantified, and for which the analysis will in most cases have to remain qualitative, and to facilitate thorough and robust qualitative social IA for the latter. This could be done inter alia through providing clearer guidance as to what constitutes qualitative "analysis" (as opposed to just

a cursory mention), but also by widening the available evidence base through wider and better use of stakeholder consultation. Strengthening the link between ex post evaluation and ex ante IA is another key area to enhance social IA and learn from past experiences.

The role of the European Commission and the OMC SPSI

In relation to all three questions posed above, the European Commission and/or the OMC SPSI can support the efforts of Member States to facilitate a better understanding, identification and analysis of social impacts by:

- Holding regular workshops, training and/or benchmarking exercises on current social IA practice, with a view to developing a 'learning network';

- Developing dedicated online tools for social IA, including a library of examples of social IAs;

- Exploring linkages and learning opportunities between IA and the indicator targets set within the Europe 2020 strategy, and/or the assessment of EU structural policies;

- Pooling resources at the EU level to support the development of datasets and sophisticated statistical and modelling instruments in social IA.

Key findings

The following section presents key findings from the three phases of the study on which the conclusions and recommendations outlined above are based. The key results of the mapping exercise (stage 1) include:

- As of early 2009, 21 of the 27 MS had some form of integrated IA system in place. Several of those systems were only created relatively recently, or had only recently been revamped. A few others were about to be reviewed.

- Most of the MS that do not have an integrated IA system in place nonetheless have other arrangements to undertake ex ante reviews of the likely effects of new policies or laws, albeit often on a less systematic and more ad hoc basis. Some were also planning to introduce a formal integrated IA system in the near future.

- Social IA in the EU MS takes two main forms. It is either undertaken as one part of an integrated IA that considers all relevant impacts of a proposal, be they economic, environmental, or social; or through a specific impact test that only covers one specific type of social impact (e.g. gender equality or health impacts).

- All in all, the study found that some kind of mechanism to assess the likely social impacts of new proposals (be it through an integrated IA system, specific impact tests, or other tools or processes) exists in 25 of the 27 MS, as well as in several regions.

- The specificities of those systems and mechanisms vary widely, in terms of aspects such as the kinds of social impacts that are considered, the rules and procedures that have to be followed, and the involvement of different actors.

- The results of the mapping exercise suggest that in many (if not most) MS, there is a significant implementation gap between formal IA rules and requirements, and what actually happens in practice. This is partly due to the relatively recent introduction or revision of many IA systems.

Stage 2 of the study analysed ten social IA systems that appeared particularly well-developed or interesting based on the results of the mapping exercise. The key results of the analysis include:

- In the Czech Republic, Finland and Poland, social impacts are assessed as part of integrated IA. In Denmark and the Netherlands, social impacts do not form part of integrated IA, but separate tests exist to assess specific social impacts (in particular gender IA). In Ireland, the UK, Flanders and Northern Ireland, both approaches are combined (i.e. integrated IA is to consider social impacts, and is complemented by one or more specific tests, such as equality IA).

- Most of the integrated IA systems that were examined were launched as part of a drive for better regulation (sometimes instigated or reinforced by international organisations such as the OECD or the EU), usually with a strong focus on minimising unnecessary administrative and/or compliance burdens. Social considerations usually did not play a key role in the conception of these systems, although one can observe a recent trend towards more "integrated" systems that take into account the three pillars of sustainable development (economic, environmental, social).

- The specific impact tests are usually a reflection of government priorities or even specific events or situations, such as the paedophilia cases in Flanders in the late 1990s ($\rightarrow$ youth IA), the tensions between religious communities in Northern Ireland ($\rightarrow$ equality IA), a report that uncovered institutional racism in the police in the UK ($\rightarrow$ race equality IA), or the Irish 1997 National Anti-Poverty Strategy ($\rightarrow$ poverty IA).

- The amount of guidance and orientation provided regarding which types of social impacts (if any) should be considered varies considerably, as does the extent to which certain impacts always have to be checked for. Some systems (such as Finland) provide a detailed list of social impact categories that should be checked; others (such as the UK) remain quite vague.

- The social impact types that are most frequently mentioned explicitly in the various guidance documents are equality impacts (seven of the ten systems), health impacts (six), and employment impacts (five). However, how these broad categories are defined varies considerably between systems, and the guidance in some countries does not define or categorise social impacts at all. Those that do provide categories sometimes use a different approach: some define *types* of impacts such as employment or health (e.g. Poland), while others focus on the affected *groups* that should be considered, such as those at risk of poverty (e.g. Ireland).

- The extent to which social impacts are actually analysed in practice, and the depth and scope of the analysis, varies considerably from case to case. Generally speaking, the comprehensive and consistent assessment of all likely social impacts of proposals represents a challenge that has not been fully overcome in any of the systems that were examined.

- One basic problem tends to be that integrated IA systems encourage officials to identify and assess likely social impacts along with other relevant impacts, but leave it largely to these officials to determine which (if any) social impacts are likely to be relevant and significant. If officials do not fully understand what social impacts are about, and/or if they perceive that social impacts are not seen as a priority by their hierarchies, there is a clear risk that the assessment will remain superficial (or not be conducted at all).

- A lack of appropriate methods, tools and data represents a further challenge to social IA. Most IA systems require (or at least encourage) IAs to present a monetised cost-benefit analysis. Since most social impacts are difficult to estimate in monetary terms, they are sometimes seen as irreconcilable with the IA format and therefore only treated in a cursory way, or even largely ignored.

- While most policy makers are accustomed to justifying their proposals from an economic and financial point of view, to many the notion of assessing social impacts can be

somewhat foreign. One of the keys to enhancing social IA is raising the awareness, knowledge and expertise of officials across government. Some countries and regions have tried to achieve this through detailed written guidance or specific training sessions, which can be effective to a certain extent. But there is also a need for bodies with a specific social remit or expertise (be they within ministries, across ministries, or even beyond, such as academic institutions) to become more involved in providing ad hoc guidance, support, or quality control if and when required.

- Stakeholder consultation is another key element of social IA, especially if it takes place sufficiently early in the IA process. The possibility for interested parties to comment on and challenge the content of an IA can be an effective quality check, as well as provide additional information and evidence regarding the likely social impacts. However, inappropriate timing or channels, as well as a lack of transparency in how the results are treated and disseminated, can severely hamper the effectiveness of stakeholder consultations.

The key results of stage 3 of the study, which analysed a sample of social IAs from across a number of jurisdictions and policy areas, can be summarised as follows:

- The comparative analysis of integrated IAs revealed that the consideration of different types of social impacts is driven primarily by two factors: the nature of the policy in question and the specific social goals it pursues, and (where applicable) the impacts that are obligatory to assess. In other words, IAs were most likely to undertake an in-depth assessment of (1) the specific social benefits of policies (where these could be used to justify the proposal), and (2) the likely social costs and/or benefits in areas where the assessment is mandatory (such as employment in Poland or equality in the UK). Other social impacts were frequently mentioned, but rarely analysed in any amount of detail.

- The review of the concrete examples also confirmed that in the majority of cases, the assessment of social impacts remained mostly or even purely qualitative – although other (mainly economic or financial) impacts were more frequently quantified / monetised.

- The IAs that were reviewed contain a number of interesting examples of both qualitative and quantitative techniques and tools for social IA (including multi-criteria analysis to compare hard-to-quantify impacts, different approaches to monetise the benefits of increased employment and skills, micro-simulation models that can be used to estimate the distributional effect of measures on the income of different population subgroups, and a method to determine impacts on disadvantaged areas). In social IA practice, such relatively sophisticated methods co-exist with purely narrative, sometimes very brief, mentions of what social impacts are likely to occur, frequently without any evidence to substantiate this or allow for an understanding of the order of magnitude of the impacts.

- As for specific impact tests, the study reviewed examples of equality IA, poverty IA, child IA, and income effects tests. Each of these tools shows clear potential to produce an in-depth assessment of a specific type of social impact, and several of the examples that were reviewed provided highly useful and relevant results.

- However, the number of times such specific impact tests are used in practice tends to remain low (unless they are made mandatory for all proposals), and their usefulness depends to a considerable degree on how relevant the specific impact is for the proposal in question. Where this is not the case, such tests can be perceived as excessively rigid, tedious and burdensome, and lead to results whose usefulness is doubtful.