



Belgium 2011

# Developing effective ex ante social impact assessment with a focus on methodology, tools and data sources

Short Report

## Developing effective ex ante social impact assessment with a focus on methodology, tools and data sources

Held in Brussels (Belgium) on 17-18 November 2011, the Peer Review was hosted by the Belgian Federal Public Service for Social Security. In addition to the host country, nine peer countries were represented: Austria, Cyprus, Finland, France, Greece, Ireland, Luxembourg, Norway and Spain. Represented as stakeholders were COFACE and EAPN. Taking part for the European Commission were representatives of DG Employment, Social Affairs and Inclusion. The thematic expert was Mike Brewer from the Institute for Social and Economic Research (ISER) of the University of Essex (UK).

### 1. The policy under review and the aim of the Peer Review

Ex ante social impact assessment (SIA) is a tool and process for estimating the likely future social impacts of policy proposals before they are implemented. There is no universally accepted definition of what “social” means in this context but a recent study<sup>1</sup> has found that the vast majority of social impacts can be grouped into five types: employment (including labour market standards and rights), income, access to services (including education, social services etc.), respect for fundamental rights (including equality) and public health and safety.

A few years ago, SIA came to the fore in the context of the Social Open Method of Coordination. Initial exchanges at a November 2008 Peer Review in Bratislava and the mentioned study clarified what to understand by it and how SIA is done in the Member States. The study led to the conclusion that social impact assessment is currently not well developed although SIA seems a good idea in view of the Social OMC objectives, notably those related to good governance. There is a growing number of countries that have integrated impact assessment systems in place that are also supposed to cover social impacts, but implementation remains the main point of concern.

Today, SIA is highly relevant to avoid that vulnerable groups in the population become victims of the economic and financial crisis. The so called horizontal clause in the Lisbon Treaty (article 9 TFEU) requires the Union to consider potential social consequences of its action and one can argue that a proper assessment of social impacts will contribute considerably to the social dimension of the Europe 2020 strategy. In these circumstances Member States and the European Commission can learn from each other’s successes and mistakes.

Many things can go wrong when countries attempt to implement ex ante social impact assessment and it will only work if there is a real commitment to assess social impacts. This Peer Review focussed on one subset of obstacles to effective social impact assessment<sup>2</sup>: those problems related to the development of an effective technical capacity for SIA and the effective use of SIA methodologies, tools and data sources. The seminar tried to jointly examine the use of methodologies, tools and databases on the basis of concrete cases of impact assessment presented by participants. It was a deliberate choice not to focus on just one method or tool but to consider the broad range of methods, tools and data sources needed for effective SIA.

<sup>1</sup> The Evaluation Partnership – CEPS Study on Social Impact Assessment as a tool for mainstreaming social inclusion and social protection concerns in public policy in the EU Member States. June 2010: p. 5. <http://ec.europa.eu/social/main.jsp?langId=nl&catId=750&newsId=935&furtherNews=yes>

<sup>2</sup> The study mentioned in footnote 1 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. This Peer Review focussed on three of them: the lack of appropriate tools, models or data sources, the need to build up capacity and expertise and the need for effective stakeholder consultation. Ibid. p. 4.

## 2. Key issues discussed and lessons learned

Four working sessions were organised, respectively focussed on 'Randomised control trials and other pilots'; 'Evaluating impacts on very vulnerable or small groups'; 'Stakeholder consultation and participatory evaluation'; and 'Microsimulation'. Two examples of the use of microsimulation models were presented in a plenary session. Concluding session focused on more general issues related to SIA capacity.

The seminar confirmed that social impact assessment is difficult and that mutual learning is needed. Few countries have the impression they are applying best practice.

### Randomised control trials and other pilots

- In specific circumstances, especially when there is great uncertainty about behavioural responses to proposed policy measures, randomised control trials and other pilots can be powerful tools, provided a number of conditions are met.
- A clear normative framework is needed. Part of this framework can be an ethical charter that specifies what can and cannot be done. A legal framework will make the experiment more acceptable and will allow to go public with the experiment.
- The design has to be well thought through and it should be clear from the beginning in order to avoid misunderstandings. Very complex designs will make it difficult to draw clear conclusions. Randomisation makes it possible to avoid selection problems. In order to avoid ethical questions randomisation can also be done on the basis of other units than the actual test persons (e.g. regions).
- The budget and the time available are important concerns when planning randomised control trials. A big enough budget is needed to collect a sample which allows generalisation of results. Enough time is needed to implement and adequately assess impacts (in many cases two or three years may be necessary).
- Results of the experiments must be considered as input for policymaking, but politicians will consider results from a broader political perspective. There is often a disconnect between the timing of the political cycle and the time needed to implement and assess an experiment or a pilot.
- In case a large, highly visible experiment is initiated it may be difficult for politicians to drop the proposed reform even if results are disappointing, but the experiment may be used to compare the impact of different modalities in policy implementation together with field workers (an open process to test different assumptions).

### Evaluating impacts on very vulnerable or small groups

- When the impact of policy proposals on small or very vulnerable groups has to be assessed, often it is not possible to use standard survey data because of the limitations in sample size or because these groups are not covered by surveys (e.g. the homeless, travellers, people in institutions...). Depending on the circumstances qualitative and action research (interviews, focus groups...) can be done or administrative data can be used.
- Methods need to be adapted to the specific circumstances of the vulnerable groups that are the subject of the assessment. People may be reluctant to participate in interviews, focus groups. The assessment itself may sensitise the assessors to the situation of the group being assessed. It can lead to a very dynamic

bottom up participative process.

- In the context of target setting in the National Reform Programmes (Europe 2020) microsimulation on the basis of administrative data in addition to survey data could open up additional possibilities. These data are often available at relatively little cost and there are few limitations on sample size, so that regional and local impacts and relatively small groups can be covered. Restrictions because of privacy concerns may apply. Additional advantages of administrative data are that they are often more up to date than survey data and that there is a closer link to policy variables.
- A common problem is that standard indicators developed on the basis of survey data cannot immediately be calculated because some data are unavailable in administrative records. Approximations then have to be used. Administrative data can also be used to augment survey data.

### Stakeholder consultation and participatory evaluation

- Few examples of stakeholder consultation and participatory evaluation specifically in the context of ex ante SIA were suggested by participants, indicating that countries are aware of the fact that good practice is rather scarce and that quality stakeholder consultation is not easy.
- Stakeholder consultation should benefit both the consulted and the consulter: stakeholders are given voice and empowerment, policy makers can be provided with evidence/experience for better policies and increased legitimacy.
- Among the quality criteria for stakeholder consultation one can highlight the following: consultation should be done early in the decision making process, well before the decision has been taken; one needs to carefully consider how stakeholders are selected for consultation; the capacity of stakeholders to participate in consultations needs to be developed and participation needs to be supported; enough time for participation should be provided; the scope of the consultation should be wide enough (not limited to minor technical details of a policy initiative: room for input on alternative options); stakeholders should be adequately informed about the shape and timing of the decision making process (it must be clear how their input will feed into the process); there is a need to give stakeholders feedback on the input they have provided..
- These quality criteria are sometimes laid down in consultation codes (standards of consultation). Such codes can be helpful in matching the expectations of the consulter and the consulted, thus avoiding phenomena like consultation fatigue.

### Microsimulation

- Microsimulation models are increasingly used in order to assess direct impacts on common (often income related) outcome indicators. Mostly static microsimulation is done but increasingly dynamic models are also being developed in view of the importance of taking into account ageing. The models are a learning tool that can clarify how things add up.
- The important investment cost needed to build and maintain models is a barrier to their use. A long term commitment is required. In order to mobilise support for this, results should be published widely.
- If one starts off with microsimulation one can feed in surveys and type cases in static models and explore existing software available at EU level (Euromod / Liam 2). From the presentations it was clear that the

developers of these softwares are increasing their accessibility for Member States that want to use them. In case impacts over time are of interest one can start with static ageing.

- Several examples showed how microsimulation can be useful for policy development in the current EU context: - a study on the long term development of child poverty in the UK (projection until 2020) illustrated the potential of the technique in the context of target setting (Europe 2020 targets in the National Reform Programmes); - a study on the very long term development of pension financial and social sustainability showed how by linking a dynamic microsimulation model with a semi aggregate model an integrated projection of both aspects is possible (key objective of the Social OMC) and – a Euromod study on the impact of austerity measures in six countries showed the potential of the technique in comparing pre and post policy reform situations.
- Developing microsimulation models inside government will ensure that the development is done close to policy needs but there is a risk that the models are less up to date on theory. Developing models outside of government will ensure more independent use. These models will often be closer to the frontiers of theory. However, there is more uncertainty about how the results will feed into the political process.

### General issues

- Both internal (within the government) and external expertise is needed for quality social impact assessment. In most cases it is a good idea to bring in external expertise. Politicians need to bring in external input also for political reasons. Internal expertise will ensure that there is ownership in implementing the proposed initiatives. It would be wrong to fully depend on external capacity. When issues are politically very sensitive it may be necessary to rely more on internal resources. Internal capacity building is important. There is no contradiction between both (this is a false dilemma): With increasing internal expertise it becomes easier and more likely that external expertise is used
- One should not have a one sided vision on internal and external expertise: internal expertise can be of high quality, on a par with the best academic expertise. External expertise is not necessarily independent and consultants may be influenced by the need to get future contracts when developing their analysis.
- The thematic research support centres in Flanders are an example of how the government can bring in academic expertise in a systematic way. A contract with an academic consortium covers five years. It allows academic centres to develop research lines on a specific subject over the mid term. Continuity and a longer term relationship with policymakers can be developed. At the same time the academics accept to provide short notice policy support when the need arises (the percentage longer term and short term support is negotiated between both parties before the start of the contract). Stakeholders are represented in steering committees of research support centres.
- The Institute for Fiscal Studies in the UK is a respected independent institute that is capable of doing ex ante social impact assessment very quickly after new initiatives on welfare state reform, social benefits, education etc. are announced by the government. If necessary, the Institute will challenge the government's claims. As emphasised by the thematic expert it motivates the UK government to do a quality social impact assessment – the fact that the abovementioned Institute will do the calculations puts certain pressure on the government. This illustrates an alternative model of social impact assessment that involves society as a whole in assessing social impacts before measures have been implemented in a less controlled and streamlined way.
- Social impact assessment should not be limited to central government in a top down approach: regional and local level SIA is equally necessary.

- It is an important challenge to implement ex ante social impact assessment in countries where the evaluation culture is not well developed. Two examples of initiatives to foster an evaluation culture were briefly presented: the National Agency of Evaluation of Public Policy and Service Quality in Spain and the Norwegian Government Agency for Financial Management (DFØ), established by the Norwegian Ministry of Finance. Such centres can develop guidelines, support capacity building and gather good practice examples but they are not a quick fix. Building an evaluation culture will take time.
- The need for a legal basis for social impact assessment was emphasised, as was the need to develop quality criteria for social impact assessment (e.g. certification). On the last issue it was felt that the EU could provide support.

### 3. Contribution of the Peer Review to the objectives of Europe 2020

The Europe 2020 flagship Antipoverty Platform aims at creating a joint commitment among the Member States, EU Institutions and the key stakeholders to fight poverty and social exclusion and to achieving the EU target of lifting at least 20 million people out of poverty and social exclusion by 2020. The success of this initiative depends on its national, regional and local rooting as well as on its interlinks with other domains of the Europe 2020 strategy. Effective social impact assessment clearly supports both of those aspects. It can be an efficient tool to mainstream social concerns across policy areas. By evaluating how a given policy may impact on social indicators such as poverty or social exclusion the social impact assessment helps to conclude whether particular policy contributes to achieving the Europe 2020 strategy goals. The Peer Review underscored this through giving real-life examples of social impact assessments, methodologies, tools and data-sources.

The Peer Review underscored how well-conducted SIA can support evidence-based policy-making, strengthen the mainstreaming of social protection and social inclusion into other policy areas, and facilitate stakeholder participation in the whole process. The Peer Review encouraged the Member States to share their experience and results of social impact assessments via exchanges and networks, as it could facilitate the mutual learning and reinforce Member States' capacity to assess the social impacts of their major policy and spending decisions.

The peer reviewers felt that a European repository of knowledge on SIA is an important asset, which could increase Member States' capacity to conduct SIAs. The possibility to access all previous Commission IA was appreciated as providing a good example of transparency. Peer reviewers wished for a website like the iatools site at <http://iatools.jrc.ec.europa.eu>, which stopped being updated in 2010. LIASE project could play similar role when the social impact assessment issues are part of it.

Mutual learning and capacity building could be also strengthened via a toolbox for examining the social impacts of non-social policies. For example: how to measure the social impacts of economic policy, energy policy, transport policy etc. By collecting experiences and promoting such a toolbox, the Commission could strengthen the social element within Europe 2020. On the other hand one should bear in mind considerable difficulties of coming up with one pattern (one solution) for an existing variety of SIAs. The diversity of methods which have to be fit to purpose was acknowledged.

Finally, it was suggested that the European Commission could make greater use of SIA in its dialogue with governments about the likely social impact of the policies in their national reform programmes (Europe 2020 strategy).