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DEVELOPING EFFECTIVE *EX ANTE* SOCIAL IMPACT ASSESSMENT WITH A FOCUS ON METHODOLOGY, TOOLS AND DATA SOURCES

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SYNTHESIS REPORT

European Commission

Peer Review in Social Protection and Social Inclusion 2011

Developing Effective *ex ante* Social Impact Assessment with a Focus on Methodology, Tools and Data Sources

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Brussels, 17 - 18 November 2011

Synthesis Report

European Commission

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The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA-EEA and EU candidate and pre-candidate countries.

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Summary

Ex ante impact assessment is a tool and process to estimate the likely future effects of policy proposals, and a Social Impact Assessment (or SIA) concerns the social effects rather than the economic, fiscal, environmental and so on. 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. But it has become clear that SIA is not a panacea for ensuring that government policies help achieve social objectives. Nor is it well developed throughout the EU. This Peer Review concentrated on one aspect of the problem — that of appropriate methodologies, tools and data sources, as illustrated by real-life cases. It builds on past work which compared and analysed different ways in which SIA is carried out in the Member States and studies which reviewed methodologies suitable for assessing employment and social impacts.

The following main lessons emerged from the Peer Review:

- Most peer countries do not feel that they are currently applying best practice in *ex ante* SIA, although a few examples of good practice were noted. Countries that are finding SIA a difficult exercise should be reassured that they are not alone: SIA is indeed difficult, and we are all learning together.

- At present, SIA is often an afterthought in the policy-making process. Ideally, SIA should be an integrated part of this process. Policy-makers should be challenged at an early stage to be clear on what evidence they are basing a proposed policy; if there is little or no evidence of the likely impact, this may suggest that a pilot project is needed. However, even an SIA produced at the end of the policy-making process can help promote transparency and accountability, and can enrich public debate.

- 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. These include a clear ethical and legal framework, a well-thought through and transparent design, and an adequate budget and timetable. However, there is often a disconnection between the timing of the political cycle and the time needed to implement and assess an experiment or a pilot. A large, highly visible experiment may be difficult for politicians to drop even if results are disappointing.

- A group often overlooked in SIA is children, as they are seldom represented in the quantitative data available. At the very least, quantitative analysis of survey data should consider effects on households with dependent children separately from those without. Officials and researchers should also consider whether qualitative work with children, or input from stakeholders representing children, could complement quantitative analysis.

- Methods using qualitative research 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 or focus groups. The assessment itself may sensitise the assessors to the situation of the group being assessed. On the other hand, some forms of qualitative research can lead to a very dynamic, bottom-up, participative process.

- Administrative data can be a powerful resource, often available at relatively little cost and with a sufficient sample size to cover regional and local impacts, and the effects on relatively small groups. Administrative data are often more up to date than survey data and there tends to be a closer link to policy variables. Many countries are using administrative data to augment household surveys to enable more accurate quantitative analysis or microsimulation. But restrictions because of privacy concerns may apply, and specific action may be needed in order to approximate standard concepts defined on the basis of survey data.

- The size of the investment needed to build and maintain microsimulation models (MSMs) is a barrier to their use. But administrations looking to develop their own MSMs should explore existing models (Euromod) or existing software which aims to make writing MSMs easier (Euromod for static tax and benefit MSMs, or LIAM2 or MODGEN for dynamic MSM). If effects over time are of interest, one should start with models using static ageing — which are relatively simple to implement — before embarking on a dynamic MSM. Member States and researchers should remember that data based on EU-SILC (the EU's Statistics on Income and Living Conditions) can be augmented or adapted on the basis of other sources as needed. In order to share experience and mobilise support, results from the use of MSMs and details of the construction of MSMs, should be published widely (perhaps through the International Microsimulation Association).

- Both internal (i.e. within government) and external expertise is needed for quality SIA. In most cases it is a good idea to bring in external expertise, but internal expertise will ensure that there is ownership in implementing the proposed initiatives. When issues are politically sensitive it may be necessary to rely more on internal resources. Although seemingly counter-intuitive, it is in the interest of public administrations to promote skills in SIA in bodies outside government, as well as inside government: having bodies outside of government producing SIAs is one way of increasing the demand for SIA inside government.

- An important challenge is to implement *ex ante* SIA in countries where the evaluation culture is not well developed. Dedicated centres that develop guidelines, support capacity building and gather examples of good practice can help but they are not a quick fix. Building an evaluation culture takes time.

- Work on *ex ante* SIA should be stepped up to strengthen the social dimension of Europe 2020. All the EU institutions, Member States and stakeholders have a role to play, but the European Commission is in a unique position to support efforts. For example, it could consider creating and supporting a learning network, a European repository of knowledge on SIA (like the IA TOOLS website that is no longer updated), and guidance or a tool kit for undertaking SIA of non-social Europe 2020 policies (like energy, transport and economic policy). The European Commission could refer more to SIA in its dialogue with governments about the likely social impact of the policies in their National Reform Programmes[1].

1 NRP map out the reforms countries will undertake to achieve nationally defined targets set in the context of the Europe 2020 Strategy and are submitted in April of each year.

A. The European policy context

Ex ante impact assessment is a tool and process to estimate the likely future effects of policy proposals, and a SIA concerns social effects rather other than economic, fiscal or environmental ones (Annex 1 sets out more precisely what is understood by the term social impact assessment).

Trying to assess the likely social impact of policy proposals before decisions are taken is part and parcel of good governance. But in these times of crisis, economic slowdown and budgetary consolidation, taking the social consequences of policy proposals into account is more important than ever. Promoting *ex ante* SIA is fully consistent with the aims and objectives of the EU's Open Method of Coordination (OMC) for social protection and social inclusion policy. These objectives are that policies should be evidence-based, that policy-making should involve relevant stakeholders and that concern for social protection and social inclusion should be mainstreamed throughout all policy areas.[2]

The importance of *ex ante* social impact assessment was also emphasised in the "European Platform against Poverty and Social Exclusion" (which is the EU's policy forum for addressing the challenges of poverty and social exclusion within the broader Europe 2020 Strategy). This concluded that:

> "Better policy coordination means that the social impact of policy initiatives needs to be carefully assessed and that potentially adverse social consequences should be minimised through equity-orientated and poverty-focused measures. The European Commission has subjected all major initiatives and legislative

2 This Peer Review was intended to contribute to one of the overarching objectives of the Open Method of Coordination (OMC) for social protection and social inclusion ("to promote good governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy") and to one of the objectives in the work strand ("A decisive impact on the eradication of poverty and social exclusion"; in particular, "ensuring that social inclusion policies are well-coordinated and involve all levels of government and relevant actors, including people experiencing poverty, that they are efficient and effective and mainstreamed into all relevant public policies, including economic, budgetary, education and training policies and structural fund (notably ESF) programmes").

proposals to a comprehensive impact assessment (IA), including the social dimension. The Commission will continue to refine and improve the quality of its impact assessment to ensure that attention is paid to the social dimension. It is important that other EU Institutions when modifying the Commission's proposals and the Member States at national level assess the social dimension of their own proposals."[3]

Of course, alongside these institutional developments, the current financial and economic crisis means that many EU countries are trying to rebalance their public finances: with such strong fiscal challenges to social policy, it is even more important to identify the impact of measures on vulnerable groups in society. The Social Protection Committee, when assessing the social dimension of the Europe 2020 strategy, concluded that "it will also be important that Member States reinforce their capacity to assess the social impacts of their major policy and spending decisions."[4]

The credibility of the European social dimension depends in part on whether effective *ex ante* SIA becomes a reality. 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. But it has become clear that SIA is not a panacea for ensuring the government policies help achieve social objectives. Nor is it well developed throughout the EU. This Peer Review concentrated on one aspect of the problem — that of appropriate methodologies, tools and data sources, as illustrated by real-life cases.

3 "The European Platform against Poverty and Social Exclusion: A European framework for social and territorial cohesion", December 2010: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0758:FIN:EN:PDF

4 "SPC Assessment of the social dimension of the Europe 2020 Strategy (2011) - Full report", February 2011: http://register.consilium.europa.eu/pdf/en/11/st06/st06624-ad01.en11.pdf

B. Background and host country policies

Background

In November 2008, a Peer Review in Bratislava (Slovakia) enabled a general exchange of views on the subject of social impact assessment to take place[5], but also saw the launch of a PROGRESS[6]-funded study on SIA as a tool for mainstreaming social protection and social inclusion concerns in public policy in the EU Member States. The objective of the study was to describe, compare and analyse different ways in which SIA is carried out in Member States, and to identify recommendations for the implementation of effective SIA. The results of the study were published in 2010.[7] It concluded that SIA (either as a stand-alone process or as part of an integrated impact assessment system) was still in its infancy in most Member States, but that there were examples of good practice. As well as identifying a lack of political will in some Member States, it found specific challenges which relate to tools, resources and expertise, namely:

- A tension between the quantitative ambitions and the qualitative reality. Impact assessment systems are often excessively quantitatively oriented: the pressure to quantify is high because otherwise there is a lack of visibility.

- A lack of appropriate tools, models and data sources to assess social impact quantitatively.

- Even where the analysis can only be based on qualitative methods, social impacts are often merely mentioned in passing.

5 Peer Review in Social Protection and Social Inclusion on Social Impact Assessment in Bratislava (Slovakia) 6–7 November 2008: http://www.peer-review-social-inclusion.eu/peer-reviews/2008/social-impact-assessment.

6 "The PROGRESS programme is a financial instrument supporting the development and coordination of EU policy" http://ec.europa.eu/social/main.jsp?langId=en&catId=327

7 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=en&catId=750&newsId=935&furtherNews=yes

- SIA is often performed by civil servants who are not used to dealing with social policy. There is often a lack of written guidance, training, and ad hoc support.

- Limited resources often mean civil servants are unable to bring in external expertise.

- Non-existent or ineffective use of stakeholder consultation: Stakeholder consultation can be an effective quality control mechanism and it can be an important source of data and information.

At the same time as the PROGRESS-funded study, efforts were undertaken to strengthen the assessment of social impacts within the European Commission's integrated impact assessment system, partly in response to an external evaluation of the system which had suggested there was room for improvement[8]. DG Employment, Social Affairs and Inclusion (DG EMPL) commissioned two studies on *ex ante* SIA methodology:

- a "Study Assessing the Employment and Social Impacts of Selected Strategic Commission Policies" (published early 2009)[9];

- and a "Study on Methodologies Applied for the Assessment of Employment and Social Impacts" (published early 2010)[10].

Furthermore, guidance was developed in order to help Commission DGs which are not immediately familiar with SIA to prepare integrated impact assessments, in particular:

- "Guidance for assessing Social Impacts within the Commission Impact Assessment System" (17/11/2009)[11];

8 The Evaluation Partnership "The Evaluation of the Commission's Impact Assessment System. Final Report." April 2007, p. 45. http://ec.europa.eu/governance/impact/key_docs/docs/tep_eias_final_report.pdf

9 http://ec.europa.eu/social/BlobServlet?docId=2279&langId=en (carried out by ECORYS Nederland BV & Idea Consult NV)

10 http://ec.europa.eu/social/BlobServlet?docId=5543&langId=en (carried out by ECORYS Nederland BV & IZA)

11 http://ec.europa.eu/social/BlobServlet?docId=4215&langId=en

- "Operational Guidance on taking account of Fundamental Rights in Commission Impact Assessments" (6/05/2011)[12].

Experience of the host country: overview

Belgium is a federal country that consists of three regions: Brussels Capital, Flanders, and Wallonia. Policies at all these levels can have substantial social effects. At present, *ex ante* IA systems that contain a social impact component exist at the federal level (Belgium), in the form of a Sustainability Impact Assessment system (in place since 2004) and in Flanders, in the form of a Regulatory Impact Assessment (RIA) system (since 2005). Both systems are aimed at simultaneously assessing economic, environmental and social impacts. In Flanders a separate child/young people impact assessment test has recently been integrated into the RIA system. Work is on-going to develop a poverty impact assessment test in the Brussels region and to strengthen the poverty impact component of the Flemish RIA system (two pilot SIAs are currently being prepared). A Sustainability Impact Assessment quick scan form must accompany every government decision when it is submitted to the Council of Ministers. RIA is mandatory for any regulation that has an impact on citizens, businesses and non-profit organisations. Sustainability Impact Assessments are not published. In Flanders a public regulatory agenda is available and the RIAs are published in a database after initial approval of the dossier by the Flemish government. In general, a great deal of consultation on policy proposals goes on through advisory councils. The social partners are very much involved in SIA through the National Council for Labour at the Belgian level and the equivalent councils at the regional level.

Although many proposals are supposed to be assessed under these SIA systems, there is much room for improvement in practice, and the social component of the impact assessment systems could be strengthened considerably. The SIA mostly consists of filling out a screening form that is attached to the legislative file, and only one full blown Sustainability Impact Assessment has been produced since 2007. The Flemish RIA system has

12 http://ec.europa.eu/governance/impact/key_docs/docs/sec_2011_0567_en.pdf

better results, but there is still room for improvement.[13] In fact, it seems clear that more *ex ante* SIA is done ad hoc in a less formalised way in the context of the normal decision-making process.

Experience of the host country: tools, resources and expertise

The Belgian government has invested in large data warehouses which link a range of administrative data sources, originally in order to reduce administrative costs and to facilitate the administration of labour and social protection policy. Public administrations and academic institutions have invested in tools to exploit these data sources so they can be used for SIAs. The most important of these are the Federal Planning Bureau, the Federal Public Service Social Security, the Study Service of the Flemish Government, IWEPS (Institut Wallon de l'Evaluation, de la Prospective et de la Statistique) and the Brussels Observatory on Health and Wellbeing. The government in Flanders has set up various support centres ("steunpunten"): these are university-based research consortia which aim to offer fast scientific policy support.

Overall, those representing Belgium at the Peer Review identified a relative strength of the Belgian system to be the fact that there were a considerable number of experts inside and outside of government, and that good data are available. Relative weaknesses in doing SIAs in Belgium were a lack of consensus on what the key outcomes should be and the difficulties in accessing relevant administrative data, as well as a lack of resources to unite the different experts.

13 A broader evaluation of the *ex ante* evaluation of regulation in Belgium is available in the OECD Report "Better regulation in Europe — Belgium": http://www.oecd.org/document/60/0,3746,en_2649_34141_45707132_1_1_1_1,00.html

C. Policies and experiences in the peer countries

The process for undertaking social impact assessments

The study on SIA in the Member States published in June 2010 showed that Member States have been increasingly developing *ex ante* IA systems (often integrated) within their policy-making processes, but that:

> 'Social IA is still in its infancy in most systems. Where it takes place at all the assessment of social impacts is often less well developed than the assessment of the budgetary, economic impact. 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. [...] Nonetheless, this study has found that effective social IA is possible. There are pockets and/or isolated examples of good practice [...]. '

It found that SIA is carried out in two main ways (sometimes both being combined): either as one of the dimensions of integrated IA (usually alongside economic and environmental impact assessments), or in the form of specific impact tests that focus on one specific kind of social impact (such as equality, poverty or gender.).

Questionnaire responses from Peer Review participants suggest that practice still varies considerably across (and within) Member States[14]. For example, some countries have requirements that SIAs (perhaps integrated into a wider impact assessment) accompany major statements of policy or legislative proposals. For instance, Austria has had a requirement that integrated IAs accompany legislation since 2001; the relevant legislation is currently being revised, and a new and very precise IA system will come into force from 2013. Norway (not a Member State) requires some SIAs as part of "consequence assessments" which accompany official

14 See http://www.peer-review-social-inclusion.eu/peer-reviews/2011/effective-ex-ante-social-impact-assessment for individual country reports

studies, regulations, and reports to the Norwegian Parliament. Spain has a relatively new central administrative body known as the National Agency of Evaluation of Public Policy and Service Quality; among its goals are to improve knowledge about the effects of public plans and programmes, and to increase transparency and accountability in the management of public resources. It has also produced specific evaluation reports. In Finland, different government departments have their own approaches (and, in some cases, their own requirements) to conducting IAs. Health and Social IAs are also required of municipal authorities in some cases. In Ireland, discrete IAs are carried out for official government policies, such as memoranda for government statements of strategy, expenditure estimates and the annual Budget, the National Development Plan, EU plans and programmes, and legislation, but are carried our separately on various issues, such as poverty, gender, rural development, employment and disability. As well as a formal requirement for *ex ante* assessments, France has a substantial National Fund to pay for randomised experiments of policies to service youth needs ("*Fonds d'expérimentation pour la jeunesse*"[15]) which was created after the evaluation of the *Revenu de Solidarité Active* — or rSa (a minimum income scheme) in 2009. This Fund has a budget of €230m for the period 2009–2011. This can be considered as "*ex ante*" assessment in the sense that it is similar to pilot programmes.

At the other extreme, Cyprus, Luxembourg and Greece have no requirement for any form of IAs (other than those which accompany ESF projects). It is noteworthy that representatives from these three countries were also the ones who drew particular attention to the limited availability of tools or resources to perform SIAs. This could indicate that having a formal requirement to produce SIAs provides an effective stimulus for a country to develop suitable tools or resources, and invest in expertise. On the other hand, it might also indicate that in countries where there are limited tools or resources to undertake SIAs, governments take a pragmatic view that there is little point in making SIAs compulsory.

The view from a stakeholder (the European Anti-Poverty Network — EAPN) was that SIAs are perceived more often as propaganda than as real

15 http://www.jeunes.gouv.fr/ministere-1001/actions/fonds-d-experimentation-pour-la-1038

assessments of the possible effects of different scenarios, due to the formal and closed character of the assessment process, which means there is little chance SIAs will help prevent the development of policies with potentially adverse social consequences. Among the reasons for this state of affairs may be:

- the lack of universally recognised social standards (in contrast to environmental ones);
- the inferior status of social sciences a compared with natural sciences;
- the close, and possibly conflicting, links between SIA and the decision-taking process.

EAPN would like SIAs to have an adequate organisational design linked with requirements for transparency, embedded in a common framework with *ex post* SIAs and should follow clear procedural rules for consultations, participation and monitoring.

Tools and resources for undertaking SIAs

The questionnaire invited participants to put forward case studies of SIA which could be discussed at the Peer Review meeting. Although participants were encouraged to consider putting forward case studies which used a range of methods and tools, the majority of the case studies put forward by participants involved the use of *microsimulation methods* and/or *quantitative analyse of administrative data or micro-data on household incomes*.

Standard static MSMs combined with large-scale representative household surveys have been used to analyse changes to cash benefits or social welfare programmes (Belgium, Ireland and Spain) and the impact of indirect tax changes on household budgets (Cyprus and Ireland). MSMs have been combined with behavioural models to examine reforms intended to encourage people to take up paid work (Belgium). Dynamic MSMs have been used to assess the financial sustainability and adequacy of current pension policy (Belgium and France), and to model the future demand and supply of doctors (France). Administrative data has been used to analyse changes to programmes providing cash benefits (Cyprus and Belgium). In some cases administrative data have had survey income components added (Belgium) or have been matched in some way with EU-SILC data (Cyprus). Model family analysis has been used to analyse changes affecting a large number of households in a small geographical area (Ireland). France gave two examples of ex post evaluations based on random assignment; no other country made explicit reference to policies being evaluated in such a way, but there were examples of policies being piloted without random assignment (Belgium). One example was given where a specially-commissioned survey was used (Belgium). Qualitative research has been used in various instances (Belgium, Ireland and Spain) and consultation with stakeholders was mentioned as a tool by a few countries (Ireland and Spain).

Participants commented on the extent to which public administrations rely on outside organisations to perform SIAs, but as would be expected, there was considerable variation. For example, in Austria it is hoped that the new requirement to produce SIAs will mean that public administrators will acquire all the skills needed to perform SIAs. Finland, likewise, seems to use external contractors for *ex ante* SIAs hardly at all, but this was seen by participants as an undesirable outcome. On the other hand, Spain and Ireland seem to rely considerably on external contractors for *ex ante* SIAs; this was seen as an undesirable outcome by the participants from Spain, but viewed more pragmatically in Ireland. In France, most *ex ante* impact assessments were undertaken within public administrations, but the ex post evaluation of randomised experiments was typically contracted out to external researchers. In Greece, ex post programme and policy evaluation is usually outsourced to private consultancies; academic institutions and research centres are rarely involved, but individual academics or researchers might join a specific evaluation team on contract to a private consultancy.

D. Discussions at the Peer Review meeting

An introductory session contained input from the host country and DG EMPL. Four working sessions were organised covering: 'Randomised control trials and other pilots'; 'Evaluating impacts on very vulnerable or small groups'; 'Stakeholder consultation and participatory evaluation' and 'Microsimulation'. Two high-profile examples of the use of MSMs were presented in a plenary session. General issues were discussed in a concluding session. This section summarises these presentations and discussions.[16]

The Commission's approach to SIA

The Commission's approach to SIA and its view of the methodologies, tools and databases available for *ex ante* SIA were presented: The Commission has a decentralised approach; with each DG being responsible for its own SIAs and support being available from a central unit in DG EMPL. Such an approach is neither quick nor easy, and requires a lot of awareness-raising and training, but it is worthwhile because exposing decisions and legislation to analytical scrutiny, will probably improve them in the medium to long-term. About 100–120 IAs are produced each year.

Effective IA needs to occur early on in the policy-making process and this can happen only if policy makers are committed to it. Before undertaking an impact assessment, a number of questions need to be asked of the policy-makers:

- What type of intervention is to be examined?
- Which outcome variables are important?
- Which level of differentiation is needed?
- Is it necessary to distinguish immediate effects from long-term ones?

16 The contribution from the host country mostly covered the material in Part B of this note.

- What are the real world constraints? How much internal and external expertise can be mobilised? How much reliable funding is there?
- Is quantification possible? What data are available? How would the future develop if the intervention were not made?

There should be a cycle of evaluation and -IA, where the evidence generated by evaluation can be used for the next IA and a constant dialogue exists between policy-making and analysts.

Clearly, certain impacts, such as on the quality of work or the quality of life, can be quantified only to a limited extent. But in such cases, even a purely qualitative analysis can be useful for stimulating debate. Where sufficient good-quality data are available, more advanced modelling techniques can be employed if they serve a useful purpose (rather than being applied for their own sake). Modelling based on micro-data will probably become more and more important. To that end, more consistent data sources will be needed. Although efforts have been made to establish more comprehensive and comparable datasets at the European level, many countries still have better data at the national level. Regionalisation might be a problem in some Member States.

Randomised control trials and other pilots

This session discussed experience of using *randomised control trials* (RCT), and other forms of pilots as a form of *ex ante* impact assessment.

In Belgium, a pilot had been carried out to test a "cash for care" scheme for people with disabilities. This had been an experiment, but involved very small samples, making it more like a qualitative study than a quantitative one. The pilot worked quite well, but the small sample made it impossible to produce robust findings which could be extrapolated. In Finland, pilots had been used to test two types of tax credit for domestic help. These were trialled in different regions of Finland with the explicit objective of generating evidence to inform a decision on which policy to implement nationally. In France, a large-scale experiment in 2008–2010 tested several variants of the rSa, which aims both to make work pay and to provide a minimum income. Areas of France representing 10% of the population were selected to operate the rSa. Following this, a dedicated budget for social experimentation was set up, known as the Social experimentation fund for youth ("Fonds d'expérimentation sociale pour la jeunesse"15). To date, the fund has issued three waves of calls for proposals, representing more than 40 calls in all, mainly centred on education and youth policies. The evaluation requirements are set by an interdisciplinary scientific committee, facilitated mainly by economists.

RCT can be a useful and powerful tool if well designed and professionally conducted. The theoretical appeal of randomisation is that it should be possible to avoid "selection problems"[17]. RCT raises important ethical issues since it involves the provision of something beneficial to one group while withholding it from another; randomisation by region or by time may help to avoid ethical objections. In France, RCT is subject to legal provisions, and this can be a useful way of making it acceptable to the public. It is important to be open about such experiments: they are often very complex, so clear, simple statements of aims are needed in order to avoid misunderstandings. To be conducted properly, they need long lead times, and substantial budgets and they should continue for at least two or three years after the intervention. This type of experimentation requires a high level of professionalism from those who conduct it, and field workers must also be trained before the experiment is launched.

The results of such trials can certainly serve as inputs for policy-making, but it must be accepted that politicians will be taking a broader perspective. When a large, highly visible experiment is initiated, it may be difficult for politicians not to go ahead with the proposed reform even if the results are disappointing. But an RCT nevertheless allows for a comparison of different approaches to policy implementation.

It is not always appropriate to use randomised experiments. Social experimentation is inappropriate in four sets of circumstances: when facing

17 This is the technical term that refers to differences between those affected by a programme and those who are not affected by a programme which are difficult, or impossible, to control for using standard statistical techniques

a social or financial emergency; when evidence already exists (e.g. on pension reform); when the reform itself is not sufficiently defined; and when randomisation is incompatible with legal requirements. And, in practical terms, RCTs require large, high-quality datasets, and should ideally measure outcomes in more than just the short-run. If sufficient finance is not available for such time-scales, RCT may not be the best approach.

Evaluating impacts on very vulnerable or small groups

When the impact of policy proposals on small or very vulnerable groups has to be assessed, it is often not possible to use standard survey data because of small sample sizes or because these groups are not captured by surveys (groups such as the homeless, Roma, and people in institutions). Depending on the circumstances, qualitative research — micro-surveys, interviews, and focus groups — can be done or administrative data can be used.

An example of a group which is both small in number and tend to be vulnerable are Irish Travellers, or Roma[18] . An example was presented of the impact of living in transient accommodation on Irish Travellers' health. Engaging with the Irish Travellers is difficult because they have historically been excluded from research and are very suspicious of official organisations, and so the evaluation was carried out by the I Travellers, themselves with assistance from experts, using funding from an external agency. The methodology was qualitative analysis, using micro-surveys, interviews and focus groups. Although no tangible outcome was apparent from this particular IA, it was thought that officials had been sensitised to the health and accommodation situations of the Travellers.

Two examples were presented where administrative data had been used to overcome deficiencies in survey data. In Belgium, a MSM (based on administrative data from 20 different sources) has been used to forecast and monitor the national poverty target. In Cyprus, an *ex ante* SIA of a minimum income scheme for low-income pensioners required the EU-SILC dataset to be augmented with information about the precise source of income from

18 Irish Travellers are an indigenous minority group with a nomadic tradition who live mainly in Ireland, the UK and the US but are of ethnic Irish origin.

state benefits that pensioners said that they received (this was necessary because the proposed means-test for the minimum income scheme would have treated different income sources differently and this information was not provided by the EU-SILC). Administrative data, especially when combined with survey data in some way, can open up additional possibilities. Administrative data are often available at relatively little cost, and there are few limitations on sample size so impacts at the regional or local level or for relatively small groups can be covered. They are often more up to date than survey data, and there is a closer link to policy variables. On the other hand, restrictions on their use may apply through privacy concerns or laws. And a further problem is that standard indicators developed on the basis of survey data (such as the risk of falling below 60% of median household income) cannot be calculated directly because some data are not available in administrative records.

Stakeholder consultation and participatory evaluation

Few examples of stakeholder consultation and participatory evaluation in the context of *ex ante* SIA were suggested by participants, indicating that countries are aware of the fact that good practice is relatively scarce and that quality stakeholder consultation is not easy. Spain discussed the way that evaluation takes place in its national action plans on inclusion, as well as some concepts and principles of participatory evaluation. As such, Spain provided an example of how to create the right context for successful evaluations, namely by promoting positive social conditions and an open, constructive climate.

The other presentation, from EAPN, considered some of the constraints and the elements for taking things forward. Values on participation are not neutral. Any involvement of stakeholders raises the question of power, and it should be acknowledged from the start that this is an asymmetrical relationship. In principle, stakeholder consultation should benefit both the consulted and the consulter. Among the quality criteria for stakeholder consultation (sometimes laid down in consultation codes or standards) the following can be highlighted: consultation should be carried out early in the decision making process, well before the decision has been taken; there is a need to consider carefully how stakeholders are selected for consultation; the capacity of stakeholders to participate in consultations needs to be developed and participation needs to be supported (in Belgium, for example, NGOs are funded to undertake preparatory work with people experiencing poverty so that they can provide effective direct inputs); enough time for participation should be provided; the scope of the consultation should be wide and not limited to minor technical details of a policy initiative; it must be clear to stakeholders how their input will feed into the process and there is a need to give stakeholders feedback on the input they have provided. It can be helpful to put these quality criteria in consultation codes (standards of consultation). Some examples of the selective wider use of internet-based consultation were given. This can be an important additional tool, but the digital divide has to be recognised.

Microsimulation

Ireland has a static tax and benefit MSM (known as SWITCH) that is owned by an independent research institute (ESRI). It is based on the EU-SILC dataset, which in Ireland has been augmented with some additional questions specifically designed to provide information for microsimulation. The model (along with training and support) is supplied to relevant government departments and social partner umbrella bodies. A poverty impact assessment is mandatory for major government policy initiatives, such as the annual Budget statement, and government departments draw heavily on the results of the SWITCH model.

In France, a department for Research, Studies, Evaluation and Statistics (which itself supports several main government departments) maintains a static tax and benefit MSM known as INES. It is based on data from the French Labour Force Survey which has been linked to administrative data on taxes paid and benefits received which results in a large and detailed dataset ideally suited to tax and benefit microsimulation. The model was used extensively to estimate the revenue and distributional impact of variants of the rSa reform, given various assumptions about the impact of the rSA on labour supply and on non-take-up rates (the model itself did not estimate the impact on labour supply).

In Belgium, an independent, government-funded organisation has responsibility for providing advice on the sustainability and adequacy of pension policy. Recently, a model (known as MIDAS[19]) has been created which can be used to produce an integrated assessment of the effects of different pension policies. MIDAS is a dynamic MSM which can be aligned to the output of a macroeconomic model: it allows the distributional impact of particular pension policies to be assessed together with their financial sustainability.

Microsimulation methods can be extremely powerful tools to undertake *ex ante* SIAs of austerity measures. A current project is using Euromod (see Annex 2) to assess the impact of austerity measures in six EU countries (Estonia, Ireland, Greece, Portugal, Spain and the UK; the countries were selected mainly on the basis of the size of the budget deficit that they were facing). Although it was not an *ex ante* assessment in the strictest sense (as the work was carried out after the policies had been announced and, in some cases, after they had been enacted), the work does demonstrate how these governments could have used Euromod for *ex ante* SIA, as all of the data used in the research pre-dated the announcement of the austerity measures. It was acknowledged that the research was not capturing factors such as trickle-down effects, and that the sensitivity of this work underlined the importance of clearly explaining the limits of any simulation, notably its hypothesis and timeframe.

Microsimulation, together with methods for forecasting changes in income distribution, can also be used to assess progress towards national poverty targets. A project in the UK had used these methods (namely combining "static ageing" with static tax and benefit microsimulation) to forecast income-based poverty measures in the UK over the next decade. For a number of reasons, this form of forecasting using static ageing is relatively easy to do in the UK: official forecasts exist for many of the variables required, and these official forecasts are the assumptions that the government uses when it produces its own fiscal projections. The UK also has well-established

19 MIDAS is a joint project by institutions in Germany, Belgium and Italy, funded by the EU under the Sixth Framework Programme (http://ec.europa.eu/research/fp6/index_en.cfm). See: http://www.plan.be/publications/Publication_det.php?lang=en&TM=30&KeyPub=781

rules for indexing taxes and benefits over time. And it is quite common for the government to pre-announce changes to the personal tax and welfare benefits systems some years in advance.

Not all governments of EU countries have access to tax and benefit MSMs, and, in some countries, no models exist inside or outside government. The greatest barrier to their use is the initial cost of setting up a model: organisations must make a long-term commitment to use MSMs and invest in their development and maintenance. It was acknowledged that the costs of producing MSMs are similar for small and large countries, meaning administrations in small countries are more likely to find the costs prohibitive. On the other hand, the current Euromod project will be completing in 2012, at which point a tax and benefit MSM, based on EU-SILC data, will be available for the 27 Member States.

The potential value of MSMs is often under-appreciated, partly because many existing models are within government bodies, and so somewhat hidden from public view. All owners and users of MSMs should be encouraged to publish details of the model, results of their modelling, and to feed such results into the debate. A user-friendly website is one way of doing this, but opening up the source codes is another.

The difference between static and dynamic MSMs was discussed. Dynamic MSMs can become necessary if ageing or other changes in the population become an issue. Those just beginning to build a model would be well advised to start with a static MSM and not to 'reinvent the wheel' but make use of the existing software, such as Euromod and LIAM 2. If a choice is needed between dynamic modelling and static ageing, start with static ageing.

Is it a good thing to rely — partly, largely or entirely — on external evaluation?

Both internal (within the government) and external expertise is needed for good quality SIA. In most cases it is a good idea to bring in external expertise. Politicians need to bring in external input for political reasons as well. 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 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): the more one relies on internal expertise, the more one will probably also bring in external support. But it is important not to stereotype the strengths and weaknesses of internal and external expertise: internal expertise can be of high quality, on a par with the best academic expertise, while 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 ("steunpunten") 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. There is continuity and a longer term relationship with policymakers can be developed. At the same time the academics agree to provide short notice policy support when the need arises (the relative division between 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 is a respected independent institute in the UK that is capable of undertaking *ex ante* SIA very quickly after new initiatives are announced by the government on issues such as personal taxes, welfare or social security benefits, and education funding. If necessary, the Institute will challenge the government's claims. The knowledge that the Institute will do these sorts of calculations increases the pressure within the government to carry out a high quality SIA. This illustrates an alternative model of SIA that involves society as a whole in assessing social impacts before measures have been implemented, albeit in a less controlled (as there is no requirement for the IFS to do this work) and streamlined way.

Where there is little culture of evaluation, how can we improve the capacity to undertake SIA?

An important challenge is to implement *ex ante* SIA in countries where the evaluation culture is not well developed. Of course, having a legal requirement for SIAs will drive up demand, which should encourage administrations to respond by increasing capacity.

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 examples of good practice but they are not a quick fix. However, it remains the case that the quality of SIAs is rarely assessed; countries should find ways to check the standard.

In fact, Spain's National Agency has not been responsible for a radical transformation of evaluation culture there. Instead, this has been a slow process both within the administration and in the universities and other research centres. In Norway, the Government Agency for Financial Management (DFØ) is tasked with collecting all evaluations performed or commissioned by government ministries. The centre's website contains about 1,000 evaluations, in all areas, covering the last ten years. It also organises conferences to encourage ministries and other groups to perform evaluations. Although state-owned, the centre takes an independent line. This is a useful reminder that bodies within an administration can be independent; in fact, their scientific independence is sometimes a legal requirement.

In future, the European Commission may finance research infrastructure on living conditions, working life and poverty, and this initiative may help build capacity for research into issues closely related to SIA at the European level.

E. Conclusions and key lessons

Most peer countries do not feel that they are currently applying best practice in *ex ante* SIA, although a few examples of good practice were noted. Countries that are finding SIA a difficult exercise should be reassured that they are not alone: SIA is indeed difficult, and we are all learning together.

At present, SIA is often an afterthought in the policy-making process. Ideally, SIA should be an integral part of a policy-making process. Policy-makers should be challenged at an early stage to be clear on what evidence they are basing a proposed policy; if there is little or no evidence of the likely impact, this may suggest that a pilot project is needed. However, even an SIA produced at the end of the policy-making process helps promote transparency and accountability, and can enrich public debate.

Policy impacts on children are often ignored in SIA as they are seldom represented in the available quantitative data. At the very least, quantitative analysis of survey data should consider impacts on households with dependent children separately from those without. Officials and researchers should also consider whether qualitative work with children, or input from stakeholders representing children, could complement quantitative analysis.

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, including a clear ethical and legal framework, a well-thought-through and transparent design, and an adequate budget and timetable. However, there is often a disconnection between the timing of the political cycle and the time needed to implement and assess an experiment or a pilot. A large, highly visible experiment may be difficult for politicians to drop even if results are disappointing.

Methods using qualitative research need to be adapted to the specific circumstances of the vulnerable groups that are the subject of assessment. People may be reluctant to participate in interviews or focus groups. The assessment itself may sensitise the assessors to the situation of the group being assessed. On the other hand, some forms of qualitative research can lead to a very dynamic, bottom-up, participative process.

Administrative data can be a powerful resource, often available at relatively little cost and with a sufficient sample size to cover regional and local impacts, and the impacts on relatively small groups. Administrative data are often more up to date than survey data and there tends to be a closer link to policy variables. Many countries are using administrative data to augment household surveys to enable more accurate quantitative analysis or microsimulation. But restrictions because of privacy concerns may apply, and specific action may be needed in order to approximate standard concepts defined on the basis of survey data.

The size of the investment needed to build and maintain MSMs is a barrier to their use. But administrations looking to develop their own MSMs should explore existing models (Euromod) or existing software which aims to make writing MSMs easier (Euromod for static tax and benefit MSMs, or LIAM2 or MODGEN for dynamic MSM). If impacts over time are of interest, one should start with models using static ageing — which are relatively simple to implement — before embarking on a dynamic MSM. Member States and researchers should remember that data based on EU-SILC (the EU Statistics on Income and Living Conditions) can be augmented or adapted by using other sources of data as needed. In order to share experience and mobilise support, results from the use of MSMs and details of the construction of MSMs, should be published widely (perhaps through the International Microsimulation Association).

Both internal (within the government) and external expertise is needed for good quality SIA. In most cases it is a good idea to bring in external expertise, but internal expertise will ensure that there is political ownership in implementing the proposed initiatives. When issues are politically sensitive it may be necessary to rely more on internal resources. Although seemingly counter-intuitive, it is in the interest of public administrations to promote skills in SIA amongst bodies outside government, as well as inside government: having bodies outside of government producing SIAs is one way of increasing the demand for SIA within governments.

An important challenge is to implement *ex ante* SIA in countries where the evaluation culture is not well developed. Dedicated centres that develop guidelines, support capacity building and gather examples of good practice can help but they are not a quick fix. Building an evaluation culture takes time.

Work on *ex ante* SIA should be stepped up to strengthen the social dimension of Europe 2020. All the EU institutions, Member States and stakeholders have their role to play, but the European Commission is in a unique position to support efforts. For example, it could consider creating and supporting a learning network, a European repository of knowledge on SIA (like the IA TOOLS website that is no longer updated), and guidance or a tool kit for undertaking SIA of non-social Europe 2020 policies (like energy, transport and economic policy). The European Commission could refer more to SIA in its dialogue with governments about the likely social impact of the policies in their National Reform Programmes.

Annexes

Definitions of social impact assessment

There is no universally accepted definition of 'social' impacts. The guidance for the European Commission's integrated impact assessment system recognises 11 types of social impacts:

- employment and labour markets;
- standards and rights related to job quality;
- social inclusion and protection of particular groups;
- gender equality, equality of treatment and opportunities, non-discrimination;
- individuals, private and family life, and personal data;
- governance, participation, good administration, access to justice, media and ethics;
- public health and safety;
- crime, terrorism and security;
- access to and effects on social protection, health and educational systems;
- culture;
- social impacts in third countries.

This is a very broad list, and a study has argued that the vast majority of social impacts can be summarised under a relatively limited list of impact types, namely:

i. employment (including labour market standards and rights);

ii. income;

iii. access to services (including education, social services, etc.);

iv. respect for fundamental rights (including equality);

v. public health and safety.

References:

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=en&catId=750&newsId=935&furtherNews=yes

European Commission "Impact Assessment Guidelines". 15 January 2009. See Table 2, pp. 35-36. http://ec.europa.eu/governance/impact/commission_guidelines/docs/iag_2009_en.pdf

The Euromod tax and benefit microsimulation model

In one of the plenary sessions, Silvia Avram from the Institute for Social and Economic Research (ISER), at the University of Essex, presented the microsimulation tool Euromod which is being developed at ISER in collaboration with a group of national teams. At the time of the Peer Review, it featured tax-benefit models for 9 EU countries, and 9 more were to be released in the following weeks.[20] The full 27-country model should be available in the first half of 2012.

It is a static model, but it can be used in conjunction with behavioural models or other more complex models.

At the moment, Euromod itself is based on the cross-sectional component of EU-SILC. A number of other datasets from a few countries have been made compatible, notably household budget surveys. In theory, nothing prevents the use of further datasets with Euromod, but this does entail substantial work (ISER can help advise on this).

A particular strength of Euromod is its cross-national nature. A lot of work has gone into making the country data comparable, so it is probably the best tool available for comparative microsimulation analysis. It is also very flexible. Model changes can be made without the need for expert coding in statistical software packages. This has made it possible to run "policy swaps" that simulate the effects of one country's policies if applied to another.

Policy simulators are currently available for various countries. As a rule, policies are simulated as at 30 June. So if there is some variation within the year, it may not be captured. In the first releases, every year between 2005 and 2010 is modelled. Three datasets will be available for those countries, all of which will be cross-sections either of EU-SILC or of national SILC versions. For the other countries, fewer years and datasets are available.

Euromod cannot simulate all social protection policies, mainly because of data limitations. What can be simulated are direct taxes on income, social

20 The model for 18 countries is now available. Contact Holly Sutherland at ISER, University of Essex, for more information (http://www.iser.essex.ac.uk/people/hollys)

insurance contributions, most non-contributory benefits, unemployment benefit (with some assumptions, due to data limitations), minimum wages, marginal effective tax rates and replacement rates, and (for selected countries) non-take-up and tax evasion.

The main component is written in C++, but users need never have to be familiar with this since policy parameters are edited via Excel and the microdata are in text format.

It should be borne in mind that what comes out of Euromod is not actual statistics, but microdata that need to be analysed in order to produce the relevant indicators. This can be done using any statistical software package.

Most uses of Euromod have to do with the estimation of policy impacts on income and income distribution. It can also be used, for example, to assess the potential effect of fiscal measures on employment by calculating indicators of work incentives.

Euromod has one problem that its developers have been trying to overcome. Data on income in the EU-SILC are annual and there is very little information about how this income varies through the year. Though it does contain a variable to indicate the number of months someone has been employed and unemployed during the year and modellers use this to impute the duration of receipts, this cannot be done very well in all cases. The estimates produced, therefore, are subject to some error, particularly in relation to social assistance.

Extensions and improvements to Euromod are now being considered. DG EMPL has agreed to fund this work for a further three years. A top priority is to introduce population changes into the model and efforts will also go into making it more dynamic.

http://www.peer-review-social-inclusion.eu

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

Host country: **Belgium**

Peer countries: **Austria, Cyprus, Finland, France, Greece, Ireland, Luxembourg, Norway, Spain**

Stakeholders: **Coface, EAPN**

Ex ante Impact Assessment, recently defined by the European Commission in its 2009 Impact Assessment Guidelines, is a process of weighing up the potential impacts of a policy before it is implemented. Social impact assessment evaluates how a given policy may impact on social indicators such as poverty or social exclusion and fit into the Europe 2020 Strategy for a smart, sustainable and inclusive economy. The 2010 Update of the Joint Assessment by the Social Protection Committee and the European Commission of the social impact of the economic crisis and of policy responses states that as fiscal consolidation measures risk aggravating further the social consequences of the crisis, Member States should reinforce their capacity to assess the social impacts of their major policy and spending decisions.

Following on from a Peer Review on social impact assessment held in Slovakia in 2008, an EU-funded study investigated different ways of implementing social impact assessments across the EU and outlined key areas where implementation could be improved. One of these was the development of tools for measuring the quantitative implications of policies, particularly where current assessments lack substance.

Belgium made social impact assessment a priority during its presidency of the EU in the second half of 2010 and continues to search for better ways of carrying out such assessments. Sharing methods for ex ante social impact assessment will help to improve techniques in Belgium and elsewhere.