

What role do cities play in social inclusion and welfare policies?

Policy brief for EUROCITIES

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Abstract

Cities have played a vital role in delivering social welfare services for many years. All cities across Europe, despite their differences in the allocation of resources and responsibilities, have an important function in delivering social welfare and play a key part in delivering the Europe 2020 Strategy, which focuses on smart, inclusive and sustainable growth. The EU report ‘State of European cities’² concluded that cities are closer to reaching the employment, education and poverty reductions targets of Europe 2020 than towns, suburbs and rural areas’, helping to combat social exclusion and reduce poverty. Currently more than 118 million people in the EU live at risk of poverty or social inclusion. This is achieved through actions to improve poor neighbourhoods, the management of education systems to improve attainment levels, and working with employers and employment services and agencies to match jobs and skills.

The twin challenges facing cities are: a growing demand from citizens for welfare, exacerbated by the economic crisis from 2008 and beyond, coupled in many places with the refugee` crisis of recent years and the financial pressure on local authorities as the result of austerity measures following the economic crisis that have had an impact across Europe, not just the well-known cases such as Greece and Cyprus.

This paper documents the increasing role cities play in designing and delivering social inclusion and welfare policies. It starts with an analysis of trends in the delivery of local services, including social welfare, from an academic perspective. The paper then illustrates the role cities play in social welfare provision with specific examples across Europe, showcasing how city authorities are innovating and experimenting to deliver social welfare measures and provide inspiration for all cities. We then review how the changing role of local government in social welfare is recognised at EU and UN level. Finally, the paper sets out conclusions and recommendations.

1. Cities and the provision of social welfare - academic and expert perspectives

Cities are important drivers of economic growth and social cohesion in the EU. It is in cities where most citizens live, where social challenges first arise (e.g. urban poverty, social exclusion, inequalities) and where key social and economic transitions are taking place (e.g. demographic change, digitalisation and robotisation, new business models etc.). Transnational challenges (global or pan-European) have a strong impact on cities (e.g. influx of refugees and migrants) and it is in cities that these challenges can be addressed seizing the opportunities arising from the urban context (e.g. innovative partnership with business sector and civil society).

Cities are important in the provision of a wide range of social welfare policies that range from education, to employment support and housing. Local authorities are the closest level of government to citizens and they know best the needs of citizens and the social challenges that need to be addressed. City authorities are in direct contact with their residents, including the most vulnerable groups, through social workers and their frontline staff. They can also be responsive, resourceful and inventive (the examples in the next section illustrate

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² European Commission (2016). [The State of European Cities in 2016](#).

this), developing both people and place-based solutions to improve the situation of vulnerable groups and the condition of deprived neighbourhoods.

We can identify three broad and overlapping phases in the evolution of local social welfare provision in Europe.

Phase 1 - towards devolved services

Largely pioneered by the Nordic countries, and recognising the important role cities and municipalities could play in policy formulation and delivery, frameworks evolved, where the relationships between the state and cities (and in some cases with regional authorities in between) matured with clear lines of responsibility for different levels of government. The report of Sellers and Lidstrom³ provides evidence citing a host of studies, all agreeing on ‘*the importance of institutions and agents at the level of localities and regions for carrying out all manner of public ends*’⁴

Phase 2 - the impact of the economic crisis

Before the economic crisis, cities had an increasing role in formulating and delivering services with more local autonomy, often with enhanced budgets and the power to increase local income levels. Cities also had an expanded range of services.

The crisis had the dual effect of increasing the levels of social exclusion and poverty, while reducing public expenditure through austerity measures, which varied in severity. In some cases, some of the powers and budgets were recentralised to save money, while elsewhere social investment was reduced from national level with cities tasked with meeting greater needs with less resources, effectively acting as a ‘safety net’ for critical social welfare policies. Eurostat data shows all levels of government saw a decline in public investment due to the economic crisis but local governments were most affected; their public investment dropped 12% in 2015 compared to pre-2008 levels while investment by the central government was down 8.1%⁵. Given that local governments carry out an average two-thirds of the total public sector investment within the EU and especially in social investment, this decline is significant and generates a big gap in social infrastructure investment, estimated at €100-150 billion per year⁶.

This trend is well documented in several sources including a recent summary by Andreotti and Mingione (2016),⁷ and by Johansson and Panican (2016)⁸ whose research highlights the importance of collaboration between central and local government for the provision of a clear and functioning framework of high quality and timely services for employment and social inclusion.

Phase 3 - the renewed growth of local services delivered by cities

While the legacy of the economic crisis remains, and the influx of non-EU migrants in recent years has added to the social welfare challenge at the local level, we can observe positive trends in the re-emergence of cities in shaping and delivering policy. We also see a return to pre-crisis trends with cities increasing the scope and scale of their activities. This is recognised at the European level in recent publications notably the State of European Cities Report 2016 and the European Parliament’s study on the ‘Role of the Cities in the

³ Sellers and Lidstrom, *Decentralization, Local Government and the Welfare State*, pp 609-632, Governance, an international of policy, administration and institutions, October 2007

⁴ *Idem*

⁵ CEB (2017). *Investing in Public Infrastructure in Europe: A local economy perspective*. Council of Europe Development Bank.

⁶ Fransen et al. (2017). *Boosting investments in social infrastructure in Europe* - Report of the High-Level Task Force on investing in Social Infrastructure in Europe chaired by Romano Prodi and Christian Sautter.

⁷ Andreotti, A., & Mingione, E. (2016). *Local welfare systems in Europe and the economic crisis*. European Urban and Regional Studies, 23(3), 252-266.

⁸ Johansson and Panican (2016). *Combatting poverty in local welfare systems - active inclusion strategies in European cities*.

Institutional Framework of the European Union'⁹ which discusses the 're-territorialisation of decision making' (the increased role of cities), stating that cities have '*become more autonomous and more proactive in policy making at all levels*' (the report covers all aspects of policy).

The recent report¹⁰ by the European Commission on the Urban Agenda for the EU recognises the vital role of cities in developing and implementing integrated approaches at local level through innovative cooperation between the administration, the business sector and citizens. The report refers to cities as "*actors of open innovation, enabling multi-level, multidimensional and multi-sectoral interactions between different stakeholders involved in the co-creation, co-design and co-implementation of integrated and innovative solutions*". Another study¹¹ highlights the impacts of re-municipalising local services, with research covering 835 examples spread across 45 countries (the research goes beyond Europe). The research focused on services - including education, health and care services - that had been privatised to improve the quality of delivery, or saving costs, or both. The study shows many of these services had then reverted to municipalities once private contracts had ended or had been terminated. Overall, the research shows re-municipalisation has resulted in savings and improvements in service quality.

Cities' role in social welfare provision

The literature is consistent over the 'added value' cities bring to local welfare provision from strategy development and strategic leadership to intelligence gathering and service delivery. Some of the key attributes cities can bring (supported by the examples in the next section) to address the challenges of complex social welfare problems are listed below and summarised in Table 1:

- Cities can pilot and test innovative and experimental approaches to social welfare policies. This also allows for integrated policies to be developed around specific communities and personalised services to be offered.
- Cities can more easily share their results and lessons with other cities through mutual learning and can stimulate policy transfer and replication of good practices.
- Cities are a resource for gathering relevant information directly from citizens about their challenges and needs and witnessing conditions on the ground and using this information to implement policy change, allowing for a flexible approach that adapts to the local complexities and circumstances.
- Cities can act as a catalyst of multi-level governance by working together with national, regional and EU authorities and local communities to provide interventions targeting specific groups or communities; adding to mainstream provision.
- Cities can combine and blend different sources of funding and financing from the national and local budgets, private funding, as well as different sources of EU funding (combining ESF with ERDF, AMIF, FEAD and other EU funds) to support welfare provision.
- Mayors and city councils provide vital leadership to bring partnerships together - linking the city administration, business sector and citizens - and mobilise partners to develop capacity at local level to deliver effective targeted services. This includes public and private partners, NGOs, not-for-profit organisations and local communities. A partnership approach is key to successful local welfare provision.
- Cities are in a good position to devise integrated approaches to combine people-based solutions with area-based policies to improve the situation of vulnerable people and the conditions in deprived neighbourhoods;

⁹ European Parliament (2017). [The role of cities in the institutional framework of the European Union](#). A study for the AFCO Committee, European Parliament.

¹⁰ European Commission (2017). [Report on the Urban Agenda for the EU](#).

¹¹ Transnational Institute (2017). [Reclaiming public services: how cities and citizens are turning back privatisation](#)

- Cities are in good position to deliver active inclusion policies by combining adequate income support, with labour market activation measures and access to social services. In this way, cities enable all citizens, notably the most disadvantaged and furthest away from the labour market to participate in society.

Table 1. The role of cities in local welfare provision

Added value of city-level interventions	Roles of cities in employment and social welfare policies	City examples in practice
<ul style="list-style-type: none"> • Pilot and test innovative and experimental approaches • Mutual learning with other cities leading to policy transfer and replication of good practices • Gathering data, knowledge and information from local level to feed into evidence-based social policies • Combine and blend different funding sources • Act as a catalyst for multi-level governance • Provide civic leadership and form local partnerships • Combine people-based and area-based approaches • Deliver active inclusion policies 	<ul style="list-style-type: none"> Tailor employment and social services to respond to the specific needs of groups of people, including migrants Active labour market policies Social investment in services Integrated approaches to solve social challenges Targeted support for vulnerable groups Innovative financial instruments including social impact bonds Test, experiment and pilot social innovation at local level Promote equality and fairness by using social clauses in public procurement 	<ul style="list-style-type: none"> Gothenburg - language and welcome centre for migrants Athens - coordination of policies to integrate newly arrived migrants and refugees Newcastle - employment support to young people Nantes - flexible childcare Cluj-Napoca - ‘Pata Cluj’ project with an integrated approach to Roma inclusion Vienna - works with specialist NGOs to deliver targeted support for people with dementia and other vulnerable conditions Utrecht - social impact bonds Barcelona - B-MINCOME pilot scheme, combining minimum income with active labour market policies Rotterdam and Bologna - social clauses in public procurement

2. Local welfare policies - examples in practice

There is much empirical evidence on how local governments are increasingly taking up more social inclusion and welfare policies, given the rise in demand from their citizens in the aftermath of the economic crisis. This section presents a selection of examples from several European cities around the following themes.

Cities continuously strive to improve and design their social services to better respond to the needs of their residents, including new migrants. In Athens, a coordination centre was established in conjunction with the United Nations High Commissioner for Refugees (UNHCR - the UN Refugee Agency) to provide immediate housing for up to 3,000 refugees using facilities at the former Olympic Park. The mayor of Athens played a strong leadership role in establishing the centre. **Gothenburg** set up a language training and introduction centre designed to help young migrants integrate into the local community through education, healthcare and social support. In respect of migration issues there are good examples of cities working together to share information and exchange good practice (e.g. the Solidarity Cities initiative, which focuses on refugee integration)¹².

¹² EUROCITIES Integrating Cities Charter: <http://www.integratingcities.eu/integrating-cities/charter>

Cities deliver active labour market policies including social investment, through their support services for skills development, social inclusion and access to employment. Several cities have helped to integrate specific societal groups (e.g. young migrants, Roma communities, the elderly, parents seeking childcare) into the local labour market with some impressive results. A common theme is to provide a variety of related services that improve the employment chances of those involved in the project. This ranges from social and housing support, language training, and life skills. Examples include **Nantes** where flexible childcare services (i.e. outside of 'standard' work hours, evenings and weekends) have been piloted in the district of Nantes Nord to support single parents to work. In **Newcastle Futures**, the city has established a not-for-profit enterprise to augment mainstream services and provide targeted employment support to young people (including life skills training and works clubs).

Cities are well placed to implement integrated approaches to solve social challenges. Most of the city initiatives reviewed for this paper form part of a wider economic, social and environmental framework. Some have a special focus - within those frameworks - but other city initiatives bring together policy strands in a specific place. A good example is **Cluj-Napoca** where an integrated approach was adopted for the inclusion of Roma, combining actions for housing, education and training, employment, healthcare, culture and the arts. The 'Pata Cluj' project used an integrated approach to support 300 Roma families living in the informal settlement of Pata Rat. It was financed through the Norway grants¹³ and was put in practice through a partnership between the city council, the metropolitan area and NGOs active in the field of Roma inclusion. The project also involved the Roma communities in the design.

Cities can create individualised approaches to address the specific needs of different vulnerable groups and of the individuals within these groups. Several city initiatives reviewed for this paper were initiatives tailored to respond to the needs of specific vulnerable groups in the city. One example is **Vienna**, which works with Alzheimer Austria and other NGOs to provide tailored support for vulnerable older people with dementia and other conditions (specific examples include events to reduce social isolation and physical exercise classes). The positive results reported by this and similar initiatives suggests that a personalised approach, which provided intensive and multi-level support to a group of individuals works. This approach is more difficult to replicate on a larger scale but can provide lessons to help shape local service design and approaches for combining different policy strands at a local level.

Cities can set up innovative financial instruments such as social impact bonds at local level. The Netherlands provides some good examples of interventions, for example in **Utrecht**, the local authority worked with investors to develop a social impact bond, in this case applied to a catering social enterprise. The city worked with Radobank and the Start Foundation to develop a four-year programme targeting some 250 people under 35 years old. It is a good illustration of a city building on and developing partnerships to deliver an initiative that uses the skills and assets of the public, voluntary and private sectors.

Cities can experiment and promote social innovation at local level. Some cities have developed ambitious initiatives based on social experimentation to test what type of social welfare interventions work best. The minimum income scheme in **Barcelona** (B-MINCOME) targets some 1,000 households with an innovative approach of combining passive policies (minimum income benefits) with active labour market policies (training and work placements, support for start-ups, subsidy for refurbishing houses and volunteering through community participation). The pilot scheme involves ten different groups receiving different minimum income support (with or without conditionality, limited or not limited) in

¹³ The Norway Grants are financed by Norway and available in 13 EU member countries that joined in 2004, 2007 and 2013. More information here: <https://eeagrants.org/Who-we-are/Norway-Grants>

combination with different active policies to test the relative effectiveness of the different policies and the impact on people's behaviours. The objective is to have the greatest impact on reducing poverty by designing interventions tailored to the needs of different families.

Cities can promote equality and fairness by using public procurement to further social inclusion. For example, in their role as buyers of goods and services, some cities are using their considerable purchasing power (e.g. some €800m per year in the case of **Rotterdam**) to implement social clauses ensuring all public contracts above €15k provide benefit disadvantaged groups (Rotterdam focuses on people with disabilities), including secondments, training and opportunities for permanent employment. In **Bologna**, the city also has clauses in public tenders, which require a percentage of disadvantaged people to be employed.

3. The role of cities in the EU social policy agenda

The EU has been active in promoting and supporting the role of cities in welfare policies. This includes through EU funding programmes (e.g. ESF, ERDF, FEAD) and spatially focused policy (the Urban Community Initiative and the current opportunities under the Integrated Territorial Investment (ITI) and the Community Led Local Development (CLLD)). The URBACT programme also provides support to cities to share lessons and good practices.

Increasingly, there is a recognition at EU and UN level of the role cities play in advancing social policies. These range from the role of cities in implementing the Youth Guarantee scheme under the Youth Employment Initiative to the Council recommendation on the integration of the long-term unemployed in the labour market.

The objectives of the European Pillar of Social Rights are to safeguard rights and develop social policies that address disparities in all member states. The role of cities is recognised in the Commission's communication and acknowledges the shared responsibility between local, regional and national authorities in delivering the objectives of the pillar. Despite this, there is no certainty yet about the funding allocated to implement the pillar. It is also not clear yet how cities will be involved in the governance of the related proposals.

The EU Urban Agenda has been implemented since the Pact of Amsterdam in 2016. This initiative promotes a greater involvement of cities in the development of EU and national policies. The agenda is implemented through urban partnerships that give cities an opportunity to come up with concrete actions in favour of a better regulation, better funding and better knowledge of EU and national policies. Four urban partnerships in the areas of social policy, have been piloted since 2016, they are the urban poverty partnership, the partnership on affordable housing, the partnership on integration of migrants and refugees, and the partnership on jobs and skills. The recognition of the important role cities play, the opportunity for open dialogue and the welcome for collaboration between cities and other levels of government in a multi-level governance mechanism, are significant. The urban agenda for the EU has recognised the added value of involving cities directly in the EU's policy and funding work. A recent report¹⁴ by the European Commission shows the Urban Agenda for the EU has promoted cities as actors in developing EU policies to address the challenges they face while also triggering a renewed interest in some member states to develop or strengthen their national urban policy. According to the report, "this process has a wide potential by making the best use of the dynamism of cities and securing the integration of city initiatives and planning into the national and regional development strategies of the country. It can reinforce the cooperation between national and local levels, lead to the involvement of cities and stakeholders in the design of policies allowing for knowledge and good practices sharing on common issues".

¹⁴ European Commission (2017). [Report on the Urban Agenda for the EU](#).

The **2030 Agenda for Sustainable Development in the United Nations** was adopted in 2015 and includes 17 sustainable development goals (SDGs) with specific targets for 2030, covering inequality, poverty and climate change. All SDGs are relevant to the local level and will be implemented by cities. For example, cities deliver local food systems to reduce hunger (SDG 2), provide active support to employment (in line with SDG 8), ensure access to quality and inclusive education (SDG 4), access to healthcare services (SDG 3), as well as offer tailored support to vulnerable groups through social services to help them get out of poverty (SDG 1) and reduce inequalities in society (SDG 10). Moreover, cities are specifically working towards delivering SDG 11 to ‘make cities and human settlements inclusive, safe, resilient and sustainable’, which is also the focus of the actions under the Urban Agenda for the EU.

There are however remaining challenges for cities given the prospect of reduced budgets. In this context, EU policy and its implications for local welfare provision are critically important if the progress made by cities in designing and delivering welfare policies is to continue.

4. Conclusions

This paper demonstrate that cities have a vital role to play in shaping and delivering local welfare services. The role of cities is increasing in many parts of Europe despite the cuts in municipal budgets and the decline in social investment in the aftermath of the economic crisis. It is at the local level that social problems are felt and where frontline staff have direct experience of these problems and the communities affected. It is also at the local level that we see innovation, experimentation and piloting of solutions that are difficult to achieve at other levels of government.

The evidence presented in this paper highlights the roles cities play in social inclusion and welfare policies, namely to:

- pilot and test innovative and experimental approaches to social inclusion
- share results and good practice with other cities and inspire policy change
- gather and analyse information at local level to inform tailored approaches to social welfare
- combine and blend funding sources and financing (including from the private sector)
- set up innovative financial instruments, including social impact bonds
- act as a catalyst for multi-level governance at all levels (from local level to the EU)
- provide leadership and stimulate local partnerships
- integrate approaches to combine people-based solutions with area-based policies
- deliver active inclusion policies to support those most in need
- promote equality and fairness by using social clauses in public procurement.

There are signs the European policy agenda recognises the contribution of local authorities to social policy progress and is designing policies that will allow for input from the local level not only in delivering them but also shaping them.

5. Issues for further discussion

This paper recommends the following issues for further discussion:

1. How to improve the engagement of cities in the design of social policies and their implementation under the European Pillar of Social Rights. Considering that most social policies are implemented at local level in line with the subsidiarity principle, and the increasing role of cities in delivering social welfare measures, city authorities should be strongly involved in the design and monitoring of these policies. A stronger social Europe will benefit from a meaningful and wider participation of cities in EU policies. For example,

cities are well placed to monitor progress in the implementation of reforms to deliver the principles in the pillar and can feed the results back into the EU social policies.

2. How to ensure that cities receive adequate financial support from EU and national governments to deliver their ambitious plans for social inclusion and welfare of citizens. If EU funding is better channelled to where the needs are at local level, social progress in cities would be accelerated. In general, EU funding should be more flexible enabling support to reach anyone in need, not just certain target groups. Long-term social investment at local level should be a priority of the next Multiannual Financial Framework post-2020. In addition, investment in social infrastructure should be increased in the European Fund for Strategic Investment and channelled to where it is most needed at local level. Future cohesion policy post-2020 should respond to people's needs where they live. At the national level, there is still work to be done to improve the cooperation between governments and local authorities. At present the relationships are uneven across Europe but strong national-local co-operation (including regions where relevant) has generated positive results for local welfare provision.

3. How to capitalise on the role of cities in social policies at EU level. For example, the lessons learned from cities in welfare policies at local level should feed into the European Semester process and in the open method of coordination for social protection and social inclusion (the Social Open Method of Coordination (OMC)). The monitoring of national reforms within the European Semester process would benefit from the involvement of cities to shed light on complex social problems and divergences not only between member states, but also within the same member state. For example, to ensure the new social scoreboard indicators capture the diverse social situations within member states, aggregate figures at macro-level based on national averages could be complemented with data from local level. Information about employment and social developments at local level could be analysed within the OMC process to feed into EU policy-making.

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(The) Urban Agenda for the European Union (2016). Pact of Amsterdam

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Selected websites:

<http://patacluj.ro/about-pata-rat> (source material for Cluj case study)

www.citiesatwork.eu

www.info@societyimpact.nl (Utrecht case study - social impact bond fact sheet)

www.solidaritycities.eu (including information on Athens case study)



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For further information, please consult: <http://ec.europa.eu/social/easi>