EAPN Response to the Annual Growth Survey Package 2016

KEY MESSAGES

1. Mainstream Europe 2020, the poverty target and an integrated strategy in the Semester, and clarify links to SDG goals.

2. Promote social investment in people, quality services and social protection not austerity.

3. Create quality jobs and support all groups through integrated active inclusion, without punitive conditionality.

4. Back social rights and standards and ensure an adequate income throughout the life cycle, beyond employment.

5. Develop obligatory guidelines, mapping and resources to support engagement of organised civil society at all stages in the Semester.

DECEMBER 2015
Introduction

EAPN is the largest network of grassroots anti-poverty organisations in the EU. In October, EAPN wrote to President Juncker outlining our proposals for ‘socialising and democratising the Semester’ in the AGS, arising from our members’ engagement and assessment of the 2015 NRPs. These were then presented in our Annual Conference in Brussels on the 9th October. In November, EAPN published an initial PR response to the AGS 2016. This paper sets out EAPN’s fuller response to the AGS 2016, based on discussions with members.

The Annual Growth Survey 2016 was adopted by the Commission on Friday 27th November, launching the 2016 European Semester cycle. The general message is we are on the road to recovery: the medicine is working; leading to more growth, less unemployment and poverty. The AGS 2016 proposes deepening the AGS 2015 approach, with the same three priorities:

1) Re-launching investment;
2) Pursuing structural reforms to modernize our economy;
3) Responsible fiscal policies.

The main emphasis is on “consolidating recovery and tackling economic and social disparities, fostering convergence towards the best performers.” However, Commissioner Thyssen emphasizes the need to put “social fairness at the heart of our economic recovery. Member States need to overcome bottlenecks to job creation, improve the way labour markets work and make sure everybody in Europe can enjoy a decent level of social protection if we want to achieve more convergence.”

How far is this put into practice?

Whilst EAPN welcomes the increased references to ‘social’ priorities, it is difficult to see concrete policy proposals. Although explicit reference is made to Europe 2020 and the Mid-Term Review within a separate box, it is not mainstreamed into the rest of the AGS, despite the detailed assessment of social and employment trends, including the poverty target, in the draft Joint Employment Report. It is therefore not clear how Europe 2020 has ‘guided the strategic choices of the Commission’s work’ or informed overarching EU and national policy priorities. Social Investment in key services is a welcome new priority, however concrete detail is lacking over how this will be mainstreamed into the European Fund for Strategic Investments (EFSI) and whether public, as well as private, investment is to be encouraged and access ensured, particularly for excluded groups. No further references are made to the proposed social pillar, or to social rights or social standards beyond employment, and without a mention of quality jobs. Neither is an integrated anti-poverty strategy proposed. Given that the overarching macroeconomic priorities remain largely unchanged, the coherence of the AGS package is questioned, as austerity continues to undermine social investment; deficit reductions and ‘modernisation’ of employment and social protection systems continue to weaken social rights, without transparent social impact assessment. This runs the risk of generating increased poverty and social exclusion, rather than progress on the poverty target. The AGS messages and recommendations will need considerable strengthening if it is to deliver on its promises of a Social Triple A.

1 See EAPN Letter to President Juncker on the AGS – Oct 2015 here.
3 See Press Release here – More social investment, but where are social rights and standards?
What Opportunities?

Within these overall concerns, the AGS 2016 offers some important ‘hooks’:

Better governance
A strong message is sent of the need to ensure the “close involvement of the European and national Parliaments, social partners, national, regional and local authorities and civil society at large,” with a particular reference to the key role of national parliaments in “strengthening democratic accountability, transparency and promote ownership of the reforms”. However, there is little further detail on how to support this, particularly for civil society.

Re-launched investment priority
- There is a new focus on investing in human capital: i.e. equipping people with the right skills to reduce unemployment and reduce risk of poverty.
- An explicit call is made for social investment in healthcare, childcare, housing support and rehabilitation services, although its purpose is only to ‘strengthen their capacities to engage in the labour market and adapt’.
- It also mentions that “Social investment offers economic and social returns over time, notably in terms of employment prospects, labour incomes and productivity, prevention of poverty and strengthening of social cohesion.”
- An important reference is made to Active Inclusion, in this section highlighting that social infrastructure must be provided in a more flexible, personalized, more integrated way to “promote the active inclusion of people with weakest link to the Labour Market.”

Structural Reforms
- Although the need for common standards is raised, it is primarily focused on labour markets, competitiveness, business environment and public administrations, as well as tax, not on social standards that can ensure progress towards delivery on social and employment rights.
- There is some focus on job creation – but no detail is given on how it will be carried out.
- Tackling long-term unemployment is recognized as a key factor to tackle poverty and social exclusion, referencing the long-term unemployment proposal for a Recommendation.
- Reducing the Gender Pay Gap – promoting work/life balance, care facilities and leave and working hours, as well as tax/benefit disincentives for second earners is a priority, with particular attention to single parents and people with caring responsibilities.
- Effective employment protection and promotion of labour market transitions is highlighted, and the importance of stable and predictable work conditions which can “induce employers and employees to invest more in skills and lifelong learning. Temporary contracts should enable transitions to more permanent contracts, not precarious jobs.”
- More effective social protection systems are recognized as necessary to confront poverty – but the statement is undermined by the priority given to efficiency and incentives to work, and the emphasis on its role in confronting poverty and social exclusion, rather than on prevention and support for universal systems that guarantee social cohesion and social solidarity for all.
- However, an important reference to “adequate and well-designed income support”, such as unemployment benefits and minimum income schemes are defended because it “allows those out of work to invest in job search and training, increasing their chances of finding adequate employment that matches their skills.”
• Comprehensive integration measures are supported particularly for refugees – with the need to facilitate access to labour market, and ‘participation in society’.

**Responsible Fiscal Policies**

• The AGS requires more effective action to tackle tax fraud and tax evasion, seeing it as essential to support public investment and to reduce taxes.

• Whilst priority is given to ensuring sustainable health, long-term care and pension systems, the need to provide adequate protection for all is also highlighted.

• Although cost effectiveness for health care is the main focus, adequate access, is mentioned with the recognition that investment in health improves labour market participation and productivity, but also encourages investment in prevention and early detection.

**Key Concerns**

1. **Mainstream Europe 2020, the poverty target, and an integrated strategy in the Semester, and clarify links to SDG goals**

   According to the AGS, Europe 2020 remains “the appropriate framework to promote jobs and growth”, but needs greater ownership at Member State level. The AGS recommends making better use of the existing strategy by improving “implementation and monitoring in the context of the European Semester.” However, no further reference is made to Europe 2020 in the main AGS or indeed to the Mid-Term Review, a year after the consultation. If EU credibility is not to be further damaged, a Communication must be published early in 2016 on the Mid-Term review setting out a road map explaining exactly how this promise is to be fulfilled and monitored. This means mainstreaming Europe 2020 goals of inclusive, as well as smart and sustainable growth and the targets, throughout the AGS and the Semester, at all stages i.e. in the Country Reports, National Reform Programmes and the Country-Specific Recommendations. An explicit integrated poverty strategy must be proposed to deal with the multidimensionality of poverty, linked to thematic strategies, based on integrated active inclusion. This must be made explicit in the Guidance Note for Member States preparing their NRPs (p.5) and for the development of the Country-Specific Recommendations, and be publically available, so that stakeholders and national parliaments are in a position to ensure public scrutiny and accountability. The reference to “building a longer term vision beyond 2020 in the light of the SDG goals” needs careful debate and discussion with stakeholders and parliament, to ensure that this leads to a coherent agenda that strengthens delivery on social rights, and not a reduction to a minimal floor.

2. **Promote social investment in people, quality services and social protection not austerity**

   A stronger focus is given to investing in human capital, beyond mainstream infrastructure, focussed on re-skilling for the labour market. Whilst this approach is an improvement on last year, it remains largely ‘instrumental’ seeing people as a mere means to growth, rather than an ‘investment in people’ approach - supporting personal and professional development based on rights and dignity. This misses the opportunity to support holistic life-long learning and a social participation approach beyond only ‘job-specific skills’ training. Such an approach provides on-
going and continuous development, the development of transferable skills and capacities, and
invests in integrated, personalized pathways that can reinforce social cohesion. The explicit
reference to social investment is welcome, and particularly in healthcare, childcare, housing
support and rehabilitation services, as well as reference to the long-term social and economic
returns of social investment. However, detail must be given on how social investment will be
mainstreamed through the European Fund for Strategic Investment (EFSI), in a similar way to the
ex-ante conditions of the Common Provision Regulation\(^4\) of the European Structural and
Investment Funds (ESIF). Moreover, the continuing focus on austerity measures or limits to
spending, explicitly undermines social investment, especially when no allowance is made for
governments to be able to justify it off the balance sheet. It is also disappointing to see social
investment limited to supporting ‘return to the labour market and to adapt’, rather than investing
in enabling and social protection services that can guarantee access for all to quality services,
including children to early learning and care. Affordable access to housing and health are of
particular concern: the lack of investment in social housing is forcing people into homelessness as
they cannot afford to pay increasing rents in the private market, and unmet need for health
services is rising, because of restrictions to access and increased prices and out of pocket
payments.

3. Create quality jobs and support all groups through integrated active
 inclusion, without punitive conditionality

The AGS gives a strong focus on employment, targeting particularly youth and long-term
unemployed. However, there is no mention of the ‘quality or sustainability of the employment’,
nor how these jobs will be created in the public and private sectors, or rising in-work poverty
tackled. Whilst these two groups are key priorities, other groups face key challenges, including low
income families - particularly single parents; ethnic minorities, including Roma; migrants, beyond
refugees; and people with long-term health and disability challenges. Whilst the long-term
unemployment recommendation offers important advice around integrated support through job-
integration agreements, it falls short of an integrated active inclusion approach, linking the three
pillars: adequate income support, access to inclusive labour markets and quality services. As Active
Inclusion is referenced in priority one, EAPN would urge a coherent approach mainstreaming the
three pillars explicitly within ‘flexible, more personalized, integrated’ approaches, particularly
avoiding the trap of ‘increasing incentives’ for work by hardening conditionality, which penalizes
vulnerable people through sanctions on benefits, forcing them further into exclusion and
temporary, precarious jobs rather than investing in a more effective pro-active accompanying
approach. As highlighted in a key poster from the 2015 People Experiencing Poverty meeting\(^5\)
supported by the European Commission – “participation is the key”; ‘build people don’t break
them.”

\(^5\) The 14\(^{th}\) PEP meeting was held on the 19 and 20 November 2015 on the topic social convergence, supported by the
European Commission and the Luxembourg Presidency.
4. Back social rights and standards, and ensure an adequate income throughout the life cycle, beyond employment

The Commission has raised high expectations that the AGS would introduce the promised ‘package on ‘social rights’ and ‘social standards’. Although reference is made to fostering ‘convergence of the best performers’, these ‘common standards’ focus ‘primarily on labour markets, competitiveness, business environment, public administration’, rather than social standards. The whole approach to benchmarking is focussed on convergence around higher productivity, reform/modernization of labour market and social protection systems and flexicurity, with the assumption that less spending on the state produces higher growth. But what kind of growth, for who’s benefit and at what price?

A real social pillar’s watchword should be: ‘social rights and social standards – beyond quality employment’, offering a road map on how to make progress on fundamental rights: access to quality services, social protection and quality jobs for all, as part of an explicit EU social compact and framework. An urgent priority is to ensure an adequate income for all, throughout the life cycle, recognizing the EU’s role to back living/minimum wages, address the poverty traps arising during the transition from welfare to work, and guarantee a decent income and a life in dignity for people who can’t work or find quality employment. This can be done by proposing EU frameworks on adequate income support or minimum income, access to social protection and minimum or living wages. Such a framework would not only provide a means to closing the gap on poverty, exclusion and inequality, but provide a sustainable and inclusive basis for growth.

5. Develop obligatory guidelines, mapping and resources to support engagement of organised civil society at all stages in the Semester

Although some mention is made at the beginning of the AGS of the need to increase ownership, through involvement of European and national parliaments, social partners and civil society, greater emphasis is given to the role of parliaments and to social partners. Whilst this is important, the AGS does not offer concrete proposals on the importance of engaging with ordinary citizens, particularly those facing poverty and exclusion and recognizing the key added value of grassroots NGOs in developing positive policy solutions, as well as providing services. Whilst the AGS (p.16) emphasizes the need to more pro-actively involve stakeholders at all levels, with a particular focus on Country reports in February – more concrete proposals are needed. The Commission should agree common obligatory guidelines with the Council, setting out benchmarks for quality participation involving organised civil society at all stages, (i.e. design, delivery and monitoring) as with other stakeholders, and setting out a road map with requirements for their engagement through all the key moments of the Semester cycle at EU and national level. The European Semester Officers role to coordinate and support such engagement, must be made more transparent, visible and accountable, including with a specific budget to ensure the engagement of civil society with limited resources.

For more information see:
- Annual Growth Survey 2016 and Accompanying Documents
- EAPN’s Press Release – AGS 2016 launch: More social investment but where are social rights and social standards?
- EAPN Letter to EPSCO to make Social Triple A a reality
- EAPN Letter to President Juncker on proposals for the AGS
- EAPN Response to the 2015 NRPs: Can the Semester deliver on poverty and participation?
Introduction

The Draft Joint Employment Report from the Commission and the Council is an important Annex of the Annual Growth Survey, published annually by the European Commission as part of the AGS package. The structure of this year’s Report is similar to the previous edition, with some important changes, however, as outlined below. It aims to provide an annual overview of employment and social developments, as well as ‘reform actions’ taken by Member States, and draws on the employment and social scoreboards of indicators.

The first chapter remains unchanged, under the title *Labour Market and Social Trends in the European Union*. The second chapter (which used to be called *Implementing the Employment Guidelines: Employment and Social Policy Reforms*) is now entitled *Employment and Social Reforms – Member State Action*. This is a significant change, as it marks the decoupling of the assessment of national policy measures from the Employment Guidelines. It is particularly worrying, at a time when the Guidelines themselves have been re-adopted in a new form – this political choice is symptomatic of the low importance given to the Integrated Guidelines, which are supposed to underpin the delivery of Europe 2020, particularly at a national level. Moreover, unlike the 2015 JER, this year’s document does not explicitly monitor progress on the Europe 2020 targets although references are made to the topics of employment and early school leaving. The poverty target, however, is specifically analysed (AROPE) – another significant political choice, marking a weakening of national social policy reforms from the Europe 2020 common objectives, tools, and targets. Finally, the previous chapter 3 (*Scoreboard of Key Employment and Social Indicators*) was now replaced by an Annex, with the same table content, but without the accompanying explanatory text that featured in the 2014 edition.

The Joint Employment Report continues to constitute, mainly, a stock taking exercise, listing country statistics and policy measures, without complementing them with an in-depth qualitative analysis. While divergence within the European Union is strongly noted, little attempt is made to link policy efforts in a particular country to its statistical performance. Results are judged from a purely numerical perspective, and little policy guidance is offered.

Most importantly, there is an overall lack of coherence with the main communication of the Annual Growth Survey, and few links are made between objectives outlined in the two documents. The Draft Joint Employment Report features some rather positive points, however, that are not then picked up and mainstreamed in the main Communication on the AGS. Treating economic and social targets as parallel processes, with no cross-overs, only leads to fragmented, inefficient policy making, where neither objectives are achieved. We are highlighting below EAPN’s perspective on the opportunities featured in year’s Joint Employment Reports, as well as the key concerns which still mar the sustainable and inclusive development of Europe and the delivery on the Europe 2020 goals.
What Opportunities?

- **Attention is paid to the concept of quality jobs**, which is mentioned a few times throughout the document. There is acknowledgement that the increase in employment rates is mainly due to fixed-term contracts, as the number of permanent contracts has remained more or less the same since 2011. It is also noted that involuntary part-time work increased from 16.7% to 19.6%, and that job precariousness hits women, young workers, and the lower paid the most. A very important element is the recognition that transitions from fixed to permanent contracts have been highest where the former were less used – where fixed contracts have been generalised, they acted much less as a stepping stone.

- The text **acknowledges the issue of low wages**, underlining that a third of recruitment difficulties arise from unattractive pay, combined with atypical working hours and lack of lifelong learning opportunities on the job. It also recognises that in-work poverty is rising, and that “only half of the poor who find a job actually escape poverty” (p. 28). There are also explicit references to the importance of living wages. Finally, the documents mentions that reductions in personal income taxes have supported labour market participation in a number of countries. The crucial role of wages is also highlighted by the recognition that the slight increase in real gross disposable household income in 2014, by 2.2%, was largely due to increases in wages.

- The **level of poverty and social exclusion across the EU has been recorded as stable or slightly decreasing**, which is viewed rather as an achievement, with no mention of the fact that, still, nearly one European citizen in four experience poverty: 24.4% in 2014 (122 million people), compared to 24.5% in 2013 and 24.7% in 2013 and still one point higher than in 2009, when the Europe 2020 target was launched (23.3%). The decrease is attributed mainly to reductions in severe material deprivation and the number of jobless households. Very importantly, the Report mentions that the at-risk-of-poverty indicator remained stable at 16.6%, but the poverty threshold is decreasing, reflecting a continuous deterioration of living standards.

- There is also a recognition of **increasing divergence** between Member States and the need to establish common benchmarks which could support ‘upward convergence’. For example, **while 9 MS** achieve at risk of poverty or social exclusion rates (AROPE) of **below 20%** (CZ, NL, FI, SE, FR, AT, DK, LU and SK), **6 MS have rates above 30%** (BG, RO, EL, LV, HR, LT).

- **Inequality** is highlighted as remaining stable in 2013, with a slight increase in the Euro area, but it is the **growing gap between countries’ inequality rates that is emphasized**, with the highest figures in PT, LT, LV, EL, BG and RO. This is partly blamed ‘on the crisis’, but also highlights the impact of ‘different tax/benefit schemes and their redistributive roles and social protection systems’.

- Specific attention is also given to **income support/minimum income**, highlighting positive increases in BE, EE, HR, SE and RO, with a minimum insertion income introduced in Romania, and a pilot minimum income scheme in Greece. However, there is a worrying focus on **increased targeting**, and activation linked to benefits, with pressure to increase incentives to work through **conditionality**.

- The **working age population and children/poor families** are highlighted as at the most risk of poverty and social exclusion, with increases from 23% in 2008 to 25.3% in 2013, underlining that this is due mainly to job losses, but also **rising in-work poverty**. It also recognizes that, in most countries, **cash transfers** are crucial to reduce child poverty (p 29). Although a welcome reference is made to “Investing in children’ (p 41), including attention to early childhood...
education and learning (ECEC), the 3 pillars are not systematically assessed. New attention is also brought to **people with disabilities**, facing 30% AROPE.

- There are **encouraging references to job creation**, an issue that seemed forgotten in the European and national years over the past years. However, the expectation is that all needed jobs will come be generated by the market, and there is no mention of public investment in the creation of quality, sustainable jobs, accessible to those who most need them.

- There is a **welcome focus on some key groups**, such as women (with explicit references to the gender pay and pension gap, as well as to the availability and affordability of childcare), youth, migrants and refugees, and the long-term unemployed – but it is generally from a labour market perspective, rather than a broader social inclusion and social participation approach. Age discrimination on the labour market is not mentioned, neither is long-term care for elderly people, nor Roma inclusion.

- Regarding education, there are encouraging, **positive references to investment in inclusive education, as well as in early childhood education and care (ECEC)**, coupled with stronger support for families. However, most of this support is in the form of work incentives and increased support for childcare. Decreased funding for education and training is noted as a worrying feature, but the role of cash transfers in alleviating child poverty is highlighted (as above).

- The document contains **encouraging references to access to housing**, quoting measures in a number of countries to build more housing, including social housing and to improve accessibility, particularly for the most vulnerable. It also mentions better support and protection against over indebtedness and evictions, and fighting energy poverty. However, the quality and affordability of new housing is not mentioned, nor is homelessness comprehensively addressed.

- The JER **recognises the growing unmet health needs**, and the significant gap between rich and poor, highlighting that low-income households face severe difficulties in accessing adequate healthcare. Measure to improve accessibility are mentioned, but nothing is said about affordability and quality, while, for instance, it is mentioned that 30% of people with disabilities experience poverty and social exclusion.

- There are some references to austerity cuts, such as decreased spending on public employment services and active labour market policies, on benefits, and on education and training. When income support was increased (in some countries), it was linked with activation measures, favouring negative conditionality.

### Key Concerns

- The main issue is **the missing link with the main Communication of the Annual Growth Survey**. While the Joint Employment Report picks up on significant developments in the employment and social policies of Member States, based on the employment and social scoreboard, as indicated above, these are not comprehensively mainstreamed, nor followed up, in the analysis and future priorities of the AGS.

- The general **side-lining of Europe 2020**, and the lack of systematic assessment of all the targets, is also a cause of concern for progress on inclusive and sustainable growth. Although we welcome the specific appraisal of the poverty target, the remedies are reduced to employment first, rather than integrated approaches.
There are worrying references to modernisation of employment protection, which is explicitly understood as a reduction in employment rights, through easier dismissal, less compensation, increased flexibilization of working agreements, less recourse to tribunals in case of unlawful dismissal. The flexicurity concept makes a return, in a considerably changed context, where austerity has universally attacked the 'security' side of most Member States’ social protection systems.

Reform of social protection systems is a key watchword, but only from a financial sustainability perspective, with no link made between the better performance in terms of poverty reduction and sustainable growth, of the majority Member States with higher spending (and the reverse). Although adequacy of income support gets some mention, is strongly linked to increased conditionality, to provide incentives to work. Whilst growing gaps in inequality are charted, no policy recommendations are made regarding the need to support more progressive and redistributive tax/benefit systems, relying on employment alone. Similarly, despite recognition of growing divergence in the main social and employment indicators, no proposals are made for comprehensive social as well as employment social standards, providing benchmarks and a framework to close the gap.

Although some key policy priorities of the Social Investment Package are mentioned (Investing in Children), the content is not systematically followed up, and other key priorities, like integrated Active Inclusion and tackling homelessness, are not explicitly referenced.

The assessment of the Youth Guarantee is done from a strictly numerical perspective, i.e., share of NEETS, without consideration given to the type and quality of the employment of education opportunities offered to young people. Youth unemployment appears to be decreasing, but not fast enough, and it is mainly due to fixed-term contracts (by the Report’s own analysis).

A number of very important elements are completely absent from the text, such as a comprehensive review of the long- as well as short-term impact of austerity cuts, affecting social protection and adequate incomes for all groups and across the lifecycle, and participation of individuals and stakeholders, although some trends in overall spending and specific initiatives in income support are outlined.

The prolonging of working lives, delaying retirement, restricted eligibility, and aligning pension age with life expectancy is given a lot of prominence, but strictly from the sustainability perspective, without taking into account adequacy and quality of work, promoting active ageing and other supportive measures for older workers, adapted workplaces, job sharing etc.

While the document mentions some measures to support Roma and refugees, these are not detailed and, at least in what concerns the latter, they seem tagged on as an afterthought. Mixing the two groups is also not the best approach. A number of countries have already put in place policies to effectively prevent asylum seekers from claiming some benefits. The JER focusses almost exclusively on integrating the newly-arrived refugees on the labour market, proposing a maximum of 9 months from arrival – however, other crucial aspects, such as recognition of qualifications, combatting discrimination, or other kinds of support for broader social integration and participation, including access to services etc., are completely overlooked.

Although the trends on the poverty target are analysed in a fair amount of detail, no proposals are made for the need for a comprehensive, integrated strategy to fight poverty for all groups, through the life cycle, and no mention of integrated Active Inclusion
approaches. Despite more positive social rhetoric, the labour market and unemployment situation, in view of better competitiveness and growth, underpins every other social analysis, including the limited analysis on inequality, poverty, exclusion, lack of access to services, income and rights.

- Finally, whilst the key role of social partners is highlighted in the ‘design and implementation of policies, and the need for this to extend beyond participation in the NRPs to the CSRs, no reference is made to a similar engagement of civil society organizations, who are crucial to support people out of poverty.

For more information see
- Draft Joint Employment Report
The European Anti-Poverty Network (EAPN) is an independent network of non-governmental organisations (NGOs) and groups involved in the fight against poverty and social exclusion in the Member States of the European Union, established in 1990.