



REPORT

Is the European project moving backwards?

The Social Impact of the Crisis and of the Recovery Policies in 2010

6 Key Messages

- The social impact is getting worse, as Governments' austerity measures make the poor pay and undermine a sustainable recovery.
- The social impact is being systematically under-assessed and ignored.
- NGOs are gravely weakened and their fundamental contribution to society is at stake.
- The crisis was not inevitable and was a result of deregulation and increasing inequality, not public sector spending.
- Another, fairer way is possible – towards prosperity for all.
- The EU must restore the core values of the European Project, and use Europe 2020 to drive an ambitious social and sustainable vision.

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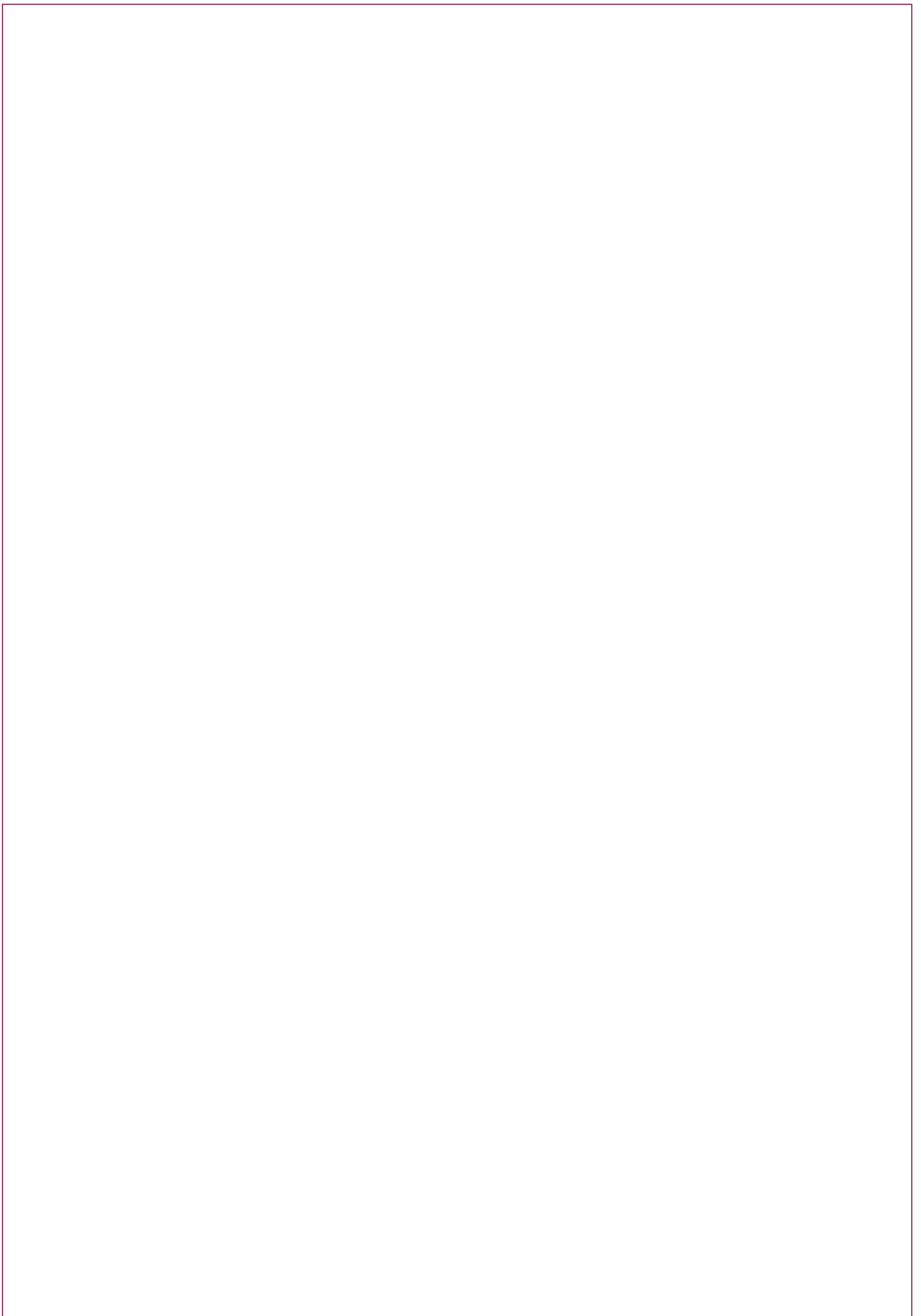


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Key Messages

In December 2009, EAPN's report on the crisis¹, drawn from members' inputs, highlighted the dramatic social impact of the crisis and of the policy options taken. One year on, in 2011, the EAPN's new report highlights that the crisis is far from being over. For many, it worsens daily, with a growing fear that the worst is yet to come. Today, it is not just the social consequences of the crisis itself which continue to cause concern, but the consequences of the negative policy choices made by Member States in their recovery packages, and the decisions over austerity measures.

These wrong choices will not only risk increasing poverty and social exclusion but have a devastating long-term impact on social cohesion and the potential to build a strong and a more social and sustainable economy, which can deliver prosperity for all. The lack of debate on the causes of the crisis, as well as the impact, and the willingness to learn from previous mistakes are crucial. The EU must re-affirm its commitment to the European project, and seize the opportunities of Europe 2020 and the Flagship Platform against Poverty to tackle the social impact of the crisis and invest in people, decent jobs and social goods and take action, before it's too late.

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- NGOs are gravely weakened and their fundamental contribution to society is at stake.
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- Another, fairer way is possible – towards prosperity for all.
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¹ [*EAPN's Report on the social impact of the crisis and of the recovery package, December 2009.*](#)

1. The social impact is getting worse, as Governments' austerity measures make the poor pay and undermine a sustainable recovery

Today the social impact of the crisis is getting worse – not just because of recession but because the vast majority of governments have reacted to the economic and financial crisis with the same neo-liberal approach: with priority given to reducing public deficits, mainly through austerity cuts in public expenditure, focused on reducing social benefits and public services. This choice not only penalizes the poor and dramatically increases their hardship, but seriously undermines the possibility of future sustainable recovery.

2. The social impact is being systematically under-assessed and ignored

The reality of the social situation is not being assessed or debated, despite the devastating consequences for millions of EU citizens and for Social Inclusion NGOs. The SPC/Commission report on the social impact highlights that most Member States are not even carrying out a social impact assessment of the crisis or of their policies. Where assessments are made, i.e. at EU level, they are limited and partial, and the findings are not taken on board, nor allowed to influence overall policy decisions on recovery measures, at national and EU level.

2. NGOs are gravely weakened and their fundamental contribution to society is at stake

NGOs who provide key services and support to people hurt by the crisis try their best to address a demand which is on a rapid rise and to still fill their advocacy role, but cuts in budgets and limitation of public services place them in extremely difficult situations. Their capacity to cushion the social impact of the crisis is at stake, as well as their ability to innovate, to feed the public debate with their expertise as well as their capacity to voice the concerns of People Experiencing Poverty and facilitate their participation in policy making. The financing of social NGOs should be preserved from cuts both at EU and national level, and increased budget should be made accessible to them in order to ensure they can play their key roles and contribute to sustainable recovery.

3. The crisis was not inevitable and was a result of deregulation and increasing inequality, not public sector spending

Not all the Member States have been hit equally by the crisis. The consequences of this crisis **were not inevitable**, but they have been particularly devastating in Member States already set off on the road of economic and financial deregulation and the deconstruction of the Welfare State. In other countries, such as the Nordic countries, but also Poland, who didn't make the same choices the situation is different. Public sector investment in social protection and other public goods, and commitments to reduce the inequality gap in income and wealth, as well as in access to services, reinforced the capacity of resistance to the crisis and the potential for a quick recovery.

5. Another, fairer way is possible – towards prosperity for all

EAPN is convinced that **alternative policy options can still be chosen** to support a **fairer sustainable recovery**, reflecting a pro-active long-term view towards creating prosperity for all, and restoring/reducing inequalities which have been one of the key triggers:

- Choosing anti-cyclical measures rather than the reduction in deficits at any price; investing in recovery: stronger minimum income and social protection, creating new jobs and local services, stimulating demand.
- Reducing deficits more gradually by increasing income (through a more equitable tax system including a greater focus on wealth, reducing inequalities and through developing new sources of revenue) rather than prioritizing cutting expenditure.
- Defending social priorities, when expenditure cuts are considered: i.e. red-lining essential social goods and services at the expense of other less essential spending lines.

6. The EU must restore the core values of the European Project, and use Europe 2020 to drive an ambitious social and sustainable vision

The social consequences of the policy choices made on the crisis, **jeopardize the core values of the European project**. The EU grew from an ideal of creating a common area of peace and democracy; instead today's policies only contribute to rising tensions and attacks against democratic principles. EU institutions must be in a position to pro-actively **safeguard this vision, in line with the horizontal social clause** adopted with the Lisbon treaty and the Charter of Fundamental Rights:

- We need the EU to **defend solidarity** rather than **unfair competition** between countries, a **proactive regulation** of the markets, and **public intervention** likely to ensure the implementation of people's rights.
- Such expectations must be addressed in the implementation of the **EU 2020 Strategy and particularly in the European Platform against Poverty** if we want the people who live in the EU to trust the European institutions to deliver a better future.
- A **pro-active social impact assessment** on the causes and consequences of the crisis and government policy responses.
- A **public debate**, including the European Parliament, and in structured dialogue with stakeholders in the Council, including people experiencing poverty and NGOs.
- A **recognition of the need to invest in the public good** – social protection, public services and new jobs, to defend social rights and provide a strong foundation for recovery and help to create new trust and confidence in the European Project.

Introduction

The 2010 Year for Combating Poverty and Social Exclusion is ending at a time when each day new cuts in social benefits are announced as part of austerity measures. Even specific measures that were set up for cushioning the social impact of the crisis have been stopped, such as in Spain with the shortening of the unemployment benefit eligibility terms.

In December 2009, the EAPN had already highlighted the dramatic social impact of the crisis and of the recovery package in a report entitled "[Social Cohesion at stake](#)". The present report gives an update of what the impact of the policy decisions taken has been, what the most vulnerable people in our society are experiencing, and what they want to say. Again, we are afraid that the situation is likely to deteriorate even more drastically in the coming years, because of the policy options chosen today. While this report cannot offer a completely comprehensive and up-to-date analysis of the situation due to the fact that the situation is constantly changing, we believe that it describes a reality which is neither recognized nor properly addressed.

As highlighted in 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"² "data is lacking on the social impact of the crisis: the 2009 EU-SILC data that will be released soon will provide information relating to 2008", "a few countries publish regular reports assessing poverty and establishing a clear 'state of nation' overview", as well as highlighting that "most countries are not in a position to give an overall assessment of the impact of the crisis".

EAPN considers this lack of effective social impact assessment as symptomatic of the lack of priority given to the fight against poverty by the EU and most Member States. We are convinced that this is a considerable mismanagement of the situation, which is likely to have lasting negative consequences on the future of our society³.

The present report is based on an internal EAPN survey based on contributions from 17 EAPN members mainly from the EAPN Social Inclusion Working Group and the Employment Working Group (Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Norway, Poland, Romania, Spain, Slovakia, Sweden, and UK) as well as 6 European Organisations in membership of EAPN. A shorter questionnaire was specifically drafted for European Organisations, and which has been filled in by Eurodiaconia, European Federation of Street Children, and, FEANTSA as well as the UK member of the European Network of the Unemployed, and the UK member of AGE Platform Europe, who also provided extra information. In addition the specific work being done on the crisis by Eurochild⁴ and Eurodiaconia⁵ with their members has been used in this report. The survey was completed between August and November 2010, and a discussion on the first findings was held in the November 2010 meeting of the EAPN Social Inclusion Working Group.

² See <http://register.consilium.europa.eu/pdf/en/10/st16/st16905.en10.pdf>

³ A draft opinion of the Committee of the Regions on the European Platform against poverty and social exclusion regrets that not more recognition is given by the Commission to the social costs of the crisis and calls for an in depth analysis of the impact of the austerity measures being taken by governments across Europe. [See ongoing consultation](#)

⁴ [http://www.eurochild.org/index.php?id=208&tx_ttnews\[tt_news\]=1450&tx_ttnews\[backPid\]=185&cHash=8b717754d cc61dd8919044a2db9e8d2c](http://www.eurochild.org/index.php?id=208&tx_ttnews[tt_news]=1450&tx_ttnews[backPid]=185&cHash=8b717754d cc61dd8919044a2db9e8d2c):

⁵ http://www.eurodiaconia.org/images/stories/The_social_cost_of_the_crisis_even_more_in_need_and_more_needed.pdf

1. The crisis one year later: Where are we at?

“While the increase of unemployment is diminishing media consider that ‘the crisis is over’. But this language is very misleading as the damage the crisis has caused is not repaired.” (EAPN Belgium)

1.1. Deepening crisis

Last December 2009, we wrote that ‘the worst was still to come’. Developments in 2010 raised an unexpected level of gravity, with Spain and Ireland facing a new degradation of their situation, Portugal being at high risk, and austerity measures sweeping through the whole of the EU. Unfortunately, the negative developments foreseen by EAPN as well other European wide NGOs active in the social field are becoming reality. Again, despite huge bailouts to banks, the situation has not stabilised in the Eurozone, and according to some analysts our common European currency itself is under threat.

A variety of situations with regards to public finances

Economic and financial situations vary a great deal from one country to another.

Outside the Eurozone, Hungary and the Baltic countries have been obliged to adopt restrictive policies, under the pressure of the Commission and the International Monetary Fund. The Eurozone peripheral countries (Greece, Spain, Portugal, and Ireland) have been facing huge deficits, and hostility from the financial markets which have obliged them to take severe austerity measures. Ireland, with a public deficit estimated at 11.1% of GDP and a public debt equivalent to 99% of the GDP for 2011, is under attack from the financial markets. About 14 % of the taxes raised in 2010 by the Irish government will go to servicing the debt⁶.

The Joint Assessment by the SPC and the European Commission⁷ states that the public deficit in the EU tripled in 2009 to reach 6.8 % of GDP. The table below gives an overview of the situation in terms of budget balance for the year 2009 for the EU-27 and Norway. Only Estonia, Finland, Sweden, Denmark and Luxembourg met the EU Stability criteria. In fact, the majority of the countries in the Eurozone have been implementing severe austerity cuts. Countries, whose entry into the Eurozone has been planned, such as Poland, are keeping their public budget under strict control.

⁶ This paragraph is using data from *Confronting the Crisis, Austerity or Solidarity*, Euromemorandum 2010/2011 by the European Economists for an alternative Economic Policy in Europe – www.euromemo.eu

⁷ See <http://register.consilium.europa.eu/pdf/en/10/st16/st16905.en10.pdf>

Budget balance (% of GDP), 2009

Belgium	-6.1	Luxembourg	-0.7
Bulgaria	-3.9	Hungary	-4.0
Czech Republic	-5.9	Malta	-3.8
Denmark	-2.8	Netherlands	-5.3
Germany	-3.3	Austria	-3.5
Estonia	-1.7	Poland	-7.1
Ireland	-14.3	Portugal	-9.4
Greece	-13.5	Romania	-8.3
Spain	-11.2	Slovenia	-5.5
France	-7.6	Finland	-2.4
Italy	-5.2	Sweden	-0.8
Cyprus	-6.1	UK	-11.4
Latvia	-8.9	Slovakia	-6.8
Lithuania	-8.9		

Source: Joint Assessment by the SPC and the European Commission of the Social impact of the economic crisis and of the policy responses, Statistical Annex.

Globally, there has not been sufficient growth to ensure economic recovery or to help balance the public budgets in the EU.

However, not all the countries have suffered in the same way from the crisis: Sweden, Germany and Czech Republic are in a different situation with positive growth and Estonia emerged from the recession at the end of 2009. According to EAPN there is a link between these significant disparities of the impact of the crisis and the model of growth and society pursued nationally. Strong social protection seems to have helped to limit the intensity of the crisis.

Banking system still facing significant threats

Some members highlight the fact that, in spite of the major support provided to banks, the situation of the banking system may still not be stabilised. For example the Spanish network mentions the risks of future insolvency attached to the system of debt for property swaps now used by banks.

Unemployment, although at various levels, is a concern throughout the EU

The Joint Assessment by the SPC and the European Commission gives an overview of the European situation: *“Unemployment rates increased from 8.8% in the second quarter of 2009 to reach 9.6% in February this year, but has stabilised since then (9.6% in September 2010).”*

“Unemployment rates increased in most member states between the second quarter of 2009 and the second quarter of 2010, differences ranging from +0.1% (UK) to +5.2% (Estonia). Two years after the beginning of the crisis, unemployment rates vary greatly across the EU. In September 2009 they ranged from less than 5% in Austria (4.5%) and the Netherlands (4.4%) to very high rates in Ireland (12.4%), Slovakia (14.7%), Lithuania (18.2% in June), Latvia (19.4% in June), Estonia (18.6% in June) and Spain 20.0% in the second quarter of 2010.”

“The crisis has had severe effects on particular groups, such as youth (21.4% in the first quarter of 2010 compared with 16% in the third quarter of 2008), low-skilled workers (16.2% in the first quarter of 2010 compared with 11.5% in the third quarter of 2008) and non-EU migrants (21.2% in the third quarter of 2008 compared with 14% in the first quarter of 2010).”

Long-term unemployment rose from 2.6% in 2008 to 3% in 2009. Figures for 2010 are not available yet. In Denmark, the number of long-term unemployed has tripled in one year.

1.2. Devastating social consequences

The Joint Assessment by the SPC and the European Commission⁸ “of the social impact of the economic crisis and of policy responses” highlights the consequences of the crisis in terms of the take up of benefits: “the number of unemployment benefits recipients continued to increase between 2009 and 2010 in most Member States, with the biggest increases in Greece (+44%), Bulgaria (+31 %) and Spain (+14.3 %); “in almost half of the countries the number of recipients increased in the period 2009-2010”. This report warns “against the potential risk of withdrawing crisis measures that have increased duration or relaxed conditionality of benefits too early” (i.e. as long as labour market conditions do not improve, highlighting “the situation in some countries (EE, LT, SK) where “a shift from unemployment benefits towards social assistance schemes may be reflecting the reduction in the duration of unemployment benefits.”

1.2.1. Vulnerable groups are worst hit

If the crisis is having an impact on the life of a large part of the population, including the middle class, the most vulnerable are being hit first and hardest, with particular key groups facing specific difficulties.

EAPN National Networks as well as European Organisations (EOs) were asked to select from a list the groups they consider as being the hardest hit. They selected the following: **people already experiencing poverty** (12), **young people** (13), **people lacking education** (11), **migrants** (8) and **ethnic minorities** (6). **Older people** and **children** were both selected by 6 respondents, and **women**, in particular **single-parent** women, by 4 National Networks.

⁸ Idem 7

For **people already experiencing poverty**, the consequences of the crisis are magnified due to their already fragile situations. Progress made during difficult, long-term integration processes may be jeopardized and people are forced to face hopeless situations.

“Red Cross, in Spain, undertook a second series of interviews among people in difficulty benefiting from their support in the follow up of the survey published last year. The results indicate that 24% of the people interviewed have difficulties in paying bills related to their housing, that 3.5% are living in the street, that they almost never participate in a leisure or training activity, that their personal, familial and friendship network is deteriorating (only 32 % have someone around them likely to give them some kind of significant economic assistance), and that the proportion of people sharing houses with family members is increasing.” (EAPN Spain).

Vulnerable families and children face particular difficulties, and child poverty is increasing.

“The introduction of compulsory engagement with the labour market despite little delivery in terms of childcare, sufficient training and education or employment opportunities creates strong difficulties for lone parents. From 2008 to 2009, material deprivation for lone parent families increased by over 20%.” (EAPN Ireland)

“Child poverty is a growing phenomenon that concerns 56,000 children now compared to 32,000 in 2001.” (EAPN Denmark)

“The rate of poverty among children is said to be around 30% today.” (EAPN Hungary)

The report, recently issued by Eurochild⁹, shows how children and families are “disproportionally affected” by the crisis. Their physical and emotional well-being, health and education are at stake, not only because of the economic strain their parents face, but also because of the decisions made by Member States governments: savage cuts in education and care services, cuts in benefits including family benefits, and cuts in the subsidies to NGOs providing prevention and support to families aggravate the situation and allow problems to escalate.

⁹ *How the economic crisis is affecting children and young people in Europe*, January 2011 [http://www.eurochild.org/index.php?id=208&tx_ttnews\[tt_news\]=1450&tx_ttnews\[backPid\]=185&cHash=8b717754dcc61dd8919044a2db9e8d2c](http://www.eurochild.org/index.php?id=208&tx_ttnews[tt_news]=1450&tx_ttnews[backPid]=185&cHash=8b717754dcc61dd8919044a2db9e8d2c):

Eurochild warns against the risk of a “lost generation”: they stress that “how children understand and adjust to the current financial economic crisis will shape their confidence, self-esteem, interest and their ability to be active, responsible citizens in the future.”

“In Romania the National Authority for the Protection of Family and Children’s Rights was dissolved as from July 2010. Emergency ordonnances bring severe cuts and negative changes to the childcare system: staff to child ratio per residential services is reduced, staff cannot be hired even if member of staff leave (...) food allowance per child is reduced”. “At the same time we hear that a growing number of families are asking for their children to be placed in institutions. According to a study prepared by UNICEF and World Bank¹⁰, the impact of the economic crisis was estimated to result in an increase in the proportion of children living in absolute poverty from 7.8% in 2008 to 10.7% in 2009 in Romania.” (Eurochild)

“In the UK, a governmental survey¹¹ showed that worries about job security, income and problems at work due to the economic downturn are cited as main reasons for tension in family relationships.” (Eurochild)

¹⁰ *Romania - Rapid assessment of the impact of economic crisis on poverty*, Joint note of UNICEF and the World Bank, <http://tinyurl.com/34xukqc>

¹¹ *The economic downturn – the concerns and experiences of women and families. Qualitative and quantitative research. Main report*, Government Equality Office, March 2009, <http://tinyurl.com/34pyczx>

Based on reports from their members the European Federation of Street Children denounce the increase in child poverty and the fact that more and more children live in the

street because they have no other choice than escaping from situations of extreme hopelessness and frustration.

Youth are also clearly on the frontline of the difficulties with the youth unemployment rate in the EU 27 above 20% (September 2010) and skyrocketing in some countries: 37.2 % in Estonia, 42.5 % in Spain, 24.4 % in Belgium and 26.5 % in Ireland. The future of this young generation is at stake. When the demand for workers starts to rise again, it is the next generation, benefiting from the most recent education or training, who will get the jobs, rather than these young people who will have been unemployed for a long period and whose training will have become obsolete.

The extreme vulnerability of people lacking training and education **reflects the weaknesses of education systems in some countries as well as the limits of models of growth pursued.**

“During previous boom periods young people would even leave school early to seize opportunities in the building sector...” (EAPN Ireland)

“The education system is weak.”
(EAPN France)

“Areas that previously employed less educated people such as construction and services have their activity strongly reduced with the crisis.” (EAPN Spain)

Older people are also in a very difficult position since keeping or finding a job again has become even more difficult than before.

Migrant workers are at a great disadvantage.

“Employers adopt increasingly xenophobic attitudes; migrants are at risk of losing their residence permit if they become unemployed, and subsequently the benefit of their unemployment insurance. In addition the competition is increasing over menial jobs, with people in the weakest positions such as migrants being sidelined.”
(EAPN Spain)

“Many migrants left Ireland; homelessness is increasing among those who have not.”
(EAPN Ireland)

“Among new groups of People Experiencing Poverty asking for support from NGOs are undocumented people who have neither the right to financial support nor access to public services.”
(EAPN Belgium)

1.2.2. The new dimension of difficulties on the ground

The social consequences of the crisis highlighted last year have been aggravated. New worries are arising from the fact that these difficulties have existed for too long.

When asked in the questionnaire to point out the most striking social consequences of the crisis in their country, National Networks and European Organisations highlighted, in order of prevalence:

- **Increasing unemployment** (12 respondents), with **labour market becoming inaccessible for the most vulnerable** (11)

- **Increasing over indebtedness** (12)
- **Negative psychological impact** (feeling of hopelessness, mental difficulties, etc.) (9)
- Additional threats to pensions (9)
- **Erosion of working conditions/ lowering of the quality of work/pressure on wages** (9)
- **Increasing poverty** (9) as well as **increasing gap between the rich and the poor** (8), **basic goods and services being less accessible for people** (8) and **erosion of purchasing power/decrease in consumption** (7)
- **Increasing housing exclusion and homelessness** (7)
- **Increasing discrimination** (5 National Networks)

As underlined last year, the impact of the crisis is multifaceted. With regards to each of the aspects described below, the situation has worsened and has had negative consequences on fundamental rights.

Poverty is increasing

Members witness the clear and rapid increase of poverty.

“19.5 % of the population is under the poverty line. There are more than 1.5 million households with no working adult, where children face restrictions in food, clothing and leisure.” (EAPN Spain)

“In 2009 one quarter of all households was in arrears with at least one bill or loan on at least one occasion.”

“2009 SILC statistics for Ireland show that material deprivation increased by 1/3 and Consistent Poverty (those who are at-risk of poverty and also experience material deprivation) increased by 1/4.” (EAPN Ireland)

“The number of people benefiting from Minimum Income raised by 9.2% in 2009.” (EAPN Belgium)

A study commissioned by the Joseph Rowntree Foundation in the UK¹ published in December 2009 demonstrates that “hundreds of thousands more adults and children will be in absolute poverty by 2014”. They foresee “a rise in absolute poverty of nearly one million, including 200,000 children and half a million childless adults, and a rise in relative poverty of about 800,000” by 2014.

Shockingly enough, wealth is also on the rise

Members share a strong feeling of incomprehension and anger with regard to the widening of inequalities (which is often fuelled by policy options followed - see part 3 below). They question the repeated argument that money is lacking and harsh cuts are the only way out. EAPN members note that the EU is still one of the richest regions in the world; they point out that their governments have questionable expenses (for example, in Bulgaria, the network highlight the growing budget of the Ministry for Internal Affairs) while at the same time, these same governments weaken Social

Protection. Members do not believe that the right choices are being made, especially since the role of social protection as automatic stabilisers has clearly been acknowledged¹².

“The gap is widening between the rich and the poor.”

(EAPN Italy)

“The poorest 10% have experienced an average negative annual growth in disposable income of 0.9 % since 2001 whereas the richest tenth of the population has an annual real income growth of 3.3 %. The 10 % with the lowest income has lost the small capital they had in 2001 and now has a net debt while the richest tenth has accumulated more capital. The general trend already dominant before the crisis is reinforced: a growing divide of the country in terms of capital, education, service, investment, geography...”

(EAPN Denmark)

“Poverty and income inequality have increased altogether since 2007. The rate between the highest and the lowest income percentile (10%) rose to 7.2 from 6.8.”

(EAPN Hungary)

“The pirates are still there and still getting richer.”

(EAPN Portugal)

¹² See for example the November 2010 Update of the Joint Assessment by the SPC and the European Commission of the social impact of the economic crisis and of policy responses, that references the Joint Report on Social Protection and Social Inclusion 2010: “The monitoring has shown that firm policy intervention and the automatic stabilizers embedded in European welfare systems have limited the economic and social impact of the worst recession in decades”.

Erosion of purchasing power

Adding to the shrinking of revenues, inflation is developing in some countries, eroding people's purchasing power even more.

"Our country is entering the Eurozone on 1st of January 2011: this goes together with an increase in the prices of goods and services, which rose by 4% between September 2009 and September 2010." (EAPN Estonia)

"Prices of goods and services increase, people have to reduce their consumption." (EAPN Czech Republic)

"Prices of basic food have increased, and increases in the prices of energy and housing are expected, but Minimum Income benefit has not been indexed in 2010." (EAPN Slovakia)

"Most people experiencing poverty cannot afford to use gas for heating. They take wood from the forests." (EAPN Hungary)

Over indebtedness

"In 2009, one out of 10 households fell into debt." (EAPN Ireland)

"In 2009, indebtedness increased by 23.3% compared with 2008." (EAPN Belgium)

"Over-indebtedness is one of the major impacts of the crisis. The previous governments

Homelessness

Difficulties to access or remain in one's home are more and more common.

"More and more people are evicted from their home; because the price of real estate is falling they are still in debt after their home is sold. Homelessness is rising as well as family grouping strategies." (EAPN Spain)

"More people are evicted from their flats. The number has doubled since 2002 from 1.823 to 3.762 in 2008." (EAPN Denmark)

supported loans, so quite a large proportion of the population took bank loans (mainly with mortgages) before the crisis. As the Swiss franc based loans used to be the most popular ones, the weakening of the Hungarian Forint affected very negatively those people with bank debts. There are approximately 100.000 people considered as 'unsafe' clients which means that they can not pay back their loans to the banks." (EAPN Hungary)

Energy poverty

With households caught between a decrease in their income and rising prices of energy, difficulties to access gas and electricity are also a major concern.

"7.2 % of residents in Spain had to delay their payments of expenses related to their main residence, such as mortgage, rent as well as the gas and electric bills. This represents an increase in 1.8 points with regard to 2008, the highest level since 2005." (EAPN Spain)

"The number of households that have problems in paying their gas and electricity bills and are dropped by private suppliers rose by 22% between 2008 and 2009; this means that 13% more people have to live with a budget meter, limiting their daily use of electricity." (EAPN Belgium)

However, according to the FEANTSA (European Federation of National Organisations Working with the Homeless) *"research proves that short-term unemployment does generally not lead to homelessness when there is a robust social protection system; however long-term unemployment increases the risk of homelessness. Real consequences of the crisis may develop later."*

New waves of migrations and new problems are developing

Many migrants go back to their native countries as they can no longer provide an income for their family abroad. In some countries, the development of emigration is associated with negative consequences.

"It is estimated that 5000 people are leaving the country every year, mainly migrants but also Irish people."

(EAPN Ireland)

"We see a reversion of migration flows."

(EAPN Spain)

"Emigration from the Baltic countries has important negative consequences in terms of child poverty."

(EAPN Estonia)

Tensions are developing that put social cohesion under threat

Members report not only a growing lack of trust in governments, but also tensions within the society.

Stigmatisation of people in poverty is widespread

Paradoxically, at a time when people are more likely to be unemployed, individual responsibility is stressed and people living on benefits are looked down upon by society.

"Blaming poor people is widely common in the public discourse." (EAPN Hungary)

"Social welfare beneficiaries are strongly stigmatized in a context stressing the individual causes of poverty. People concerned even stigmatized themselves." (EAPN Portugal)

"The outskirts of the country that has been the hardest hit in general, feels neglected and is developing a growing protest movement." (EAPN Denmark)

"Higher unemployment is correlated with increasing tensions in families, higher violence, divorce, depression and suicide rate." (EAPN Estonia)

Alarmingly, racism and xenophobia are clearly on the rise

In Eastern Europe, the discrimination against Roma is particularly serious. *"The discrimination against Roma people has increased a lot."* (EAPN Hungary)

"There has been a growing tendency to blame Roma for their poverty. Parties in parliamentary elections campaigning used openly negative stereotypes about Roma, even on billboards." (EAPN Slovakia)

2. Governments' strategy aggravates the crisis

2.1. Budget stability at the cost of social cohesion and a sustainable recovery for all?

2.1.1. A dominant trend

Whether they are facing enormous budget deficits, such as in Ireland, Spain, or Portugal, or in a less difficult position, EU governments appear to share the priorities of recouping budget deficits and trying to meet the criteria of the EU Stability Pact through reducing public expenditure and increasing revenues through taxation.

No National Network reports the implementation of alternative approaches based on pro-active economic countercyclical policies. Exceptions to this trend are rare in the EU. Networks report that in Sweden, investments are being made to boost the demand side of the economy and in Estonia, investments are made in favour of employment. It is also noted that in Denmark, despite significant cuts in the public budgets, more money is going to be invested in the health sector and services for the weakest and more exposed groups. On the contrary, some countries like Spain are reconsidering their infrastructures and investment budgets.

2.1.2. Brutal cuts to social protection and services

The Joint Assessment by the SPC and the European Commission of the social impact of the economic crisis and of policy responses shows that measures to reduce public expenditure have hit social inclusion and social protection systems first: "Member States have implemented changes that reduce the number of people eligible and/or the level of benefits. For example, tightening conditions to qualify for certain benefits – such as unemployment or social assistance (CZ, IE) -, shortening the period of payment of benefits for the unemployed (DK), reduced unemployment benefit (LT), narrowing of family allowances (CZ, DK, LU, HU, PT), reduction of benefits for persons with disabilities (CZ) and children (PL), abolition of birth grants and school aids (CZ), changes in indexation rules for pensions (CZ, BG, temporary measure for LU), adjustment of social care services, decreasing of sick leave benefits (BG, CZ, HU, LT), etc. Increased targeting of housing and child benefits (LT, UK) is also highlighted among the respondents as a response to budgetary constraints. A few countries have taken measures to reduce staff in public services, with potential impacts on access and quality of services (CZ, IE, UK)."

This official report from the Commission and Member States confirms what EAPN Members observe. They are shocked by the fact that, in most cases, no priority is given to the preservation of social protection although its crucial role as automatic stabilizers has been widely acknowledged. A large majority of respondents to the questionnaire (12 out of 17) consider that social protection is only partly cushioning the impact of the crisis, and 4 (IE, PL, RO, GE) consider that social protection is totally insufficient to cushion the impact of the social impact of the crisis. Only the Norwegian network considers that social protection is adequately cushioning the impact of the crisis for 90% of the population. On the contrary, it seems to be one of the first budget lines to be cut. Cuts in welfare benefits and services are reported in Czech Republic, Denmark, Germany, Hungary, Ireland, Norway, Romania, Spain and UK, and expected in Belgium. Few countries are actually considering either the need to improve social protection and social security at this time, or the long-term cost of cutting benefits and services. Not improving social protection is in fact increasing poverty and social exclusion, which are, among others, key determinants of public health and healthcare costs. The latter approach contradicts commitments endorsed at the EU level (EU commitments on Fundamental Rights, the horizontal clause of the Lisbon Treaty) as well as at the international level. *“It’s a social crime!”* said the Finnish member of EAPN.

“Estonia is an exception with an increase of social benefits of 20% as from the 1st of January 2011, and a strategy of the government to invest positively in favour of employment and to try to cushion the social impact of the crisis.” (EAPN Estonia)

In most countries, cuts are having heavy impacts on the welfare system. The reality is that it is the most vulnerable who have been hit the hardest by cuts in public budgets, and who are increasingly paying for the crisis.

The austerity measures implemented are leading to dramatic **cuts in welfare payments:**

“Family allowance has been reduced and it is likely to push more families into poverty.”
(EAPN Denmark)

“Cuts in social welfare payments in 2010 budget are about 4.2% including job seeker allowance and child benefit. It comes on top of the loss of the extra Christmas payment in 2009 and reductions in the supports tenants get with rent under the Rent Allowance Scheme which has increased costs for many tenants not in a position to negotiate a reduction in their rents”. “The Government’s National Recovery Plan 2011-2014 includes further cuts in social welfare payments amounting to 760 million €. Saving should be made from reforms of the system, activation, anti-fraud measures and also a reform of the child benefit and the

reform of the means tested payments for people of working age.” (EAPN Ireland)

“Benefits for handicapped people and elderly will not be raised as much as planned.”
(EAPN France)

“To get back to a balanced budget in 2015 as requested by the European Commission, the government will have to save a total of 22 billion Euros. Many social Programmes and allowances are threatened.” (EAPN Belgium)

“Many of the government interventions are supporting middle class and well-off people, whereas benefits for people experiencing poverty are worth less and less and eligibility rules are going to be stricter.” (EAPN Hungary)

Cuts to family/children benefits: a sacrificed generation?

Despite the fact that in the context of the Open Method of Coordination for Social Inclusion and Social Protection Member States have prioritised the fight against child poverty, the reality is that cuts threaten the well-being and social inclusion of a significant number of children.

“In Romania the new austerity package includes a 25 percent cut to child care benefits, the elimination of benefits for young families, and a freezing of benefits for single parents.”
(EAPN Romania)

“There are more than 1.5 million households with no working adults. Their children face restrictions in food, clothing and leisure.”
(EAPN Spain)

“The new coalition government in the UK announced their decision to withdraw child benefits from higher rate tax payers. It’s one of many cuts that seem to be having a disproportionate impact on children and families across the UK. It’s understandable and seemingly fair, but from our perspective misguided and, for the relatively small savings that will be made, potentially disastrous for many families that find themselves just above the income threshold but by no means living a life of luxury.” (Eurochild)

Cuts in unemployment benefits

A number of countries have now introduced limitations on the conditions, duration and amounts of unemployment benefits. Some countries have limitations which affect the whole population, while others impact on only selected groups.

“The introduction of a limitation of the duration of unemployment benefits is discussed now.”
(EAPN Belgium)

“Compensatory payments for public employees being made redundant have been eliminated.”
(EAPN Romania)

“The Government cut the unemployment assistance rate of young unemployed people unless they undertook training and education provision. For those under 21 the rate was halved.”
(EAPN Ireland)

Restriction in employment policy budget lines

Budgets previously allocated to the stimulation of the employment market have also been reduced. Often this goes together with the redirection of the budget available to people who have recently been excluded from the labour market, leaving behind the people who may already be the furthest excluded.

“The number of subsidized jobs is being limited.”
(EAPN France)

“Stimulus packages to specific sectors are suspended.”
(EAPN Spain)

“Since January 2010 people living on minimum income are no longer considered as eligible for the Employment Premium of 1000 Euros as well as the young and elderly unemployed.”
(EAPN Belgium)

At the same time, **National Networks report a clear strengthening of ‘make work pay’** employment policies. This means a strengthening of the conditions attached to unemployment benefits and minimum income, increasing sanctions on benefits and lowering the duration and amount of unemployment benefits, pushing the weakest further into poverty and social exclusion.

Public services sacrificed within the austerity policies

Austerity policies begin to have a significant negative impact on access to services, some of them being central to the fight against poverty, social cohesion and to the preservation of human capital needed for future economic development, including public health.

“Waiting lists for treatments and operations are increasing, hospital beds are closing and accident and emergency services are reducing hours. In education also, cuts to staff mean that areas such as adult literacy and guidance services are stretched.” “Public structures addressing poverty have been totally dismantled.” (EAPN Ireland)

“25% of public sector employees will be laid off in 2010. Income of public servants will be reduced by around 30% from July 2010. Nurses and doctors are emigrating massively, with negative consequences for the health services.” (EAPN Romania)

“Civil servant pay is being cut by 5%.” (EAPN Spain)

“Efforts are made to reduce pay increases in the public sector. It is predicted that there will be around 610.000 less public sector jobs in the UK.” (EAPN UK)

Services: users are also asked to pay a bigger share and reductions/subsidies for specific groups are being reviewed.

“Water charges are to be introduced by 2014.” (EAPN Ireland)

“Abolition of transport subsidies for students and the elderly, and the removal of energy subsidies for households is being introduced.” (EAPN Romania)

Local authorities in great financial difficulties

Because of the shrinking of their own resources, or because Member States are cutting their funding, local authorities who very often implement social policies can no longer bear the cost of services or allowances they were delivering. Sweden is an exception, with support given to local and regional authorities in order to prevent unemployment.

“Social responsibilities have been transferred by the previous government to municipalities who lack money now. Cuts are being made in social, health services...” (EAPN Netherlands)

“Many regional and local administrations are in danger.” (EAPN Spain)

Innovative social projects and policy discussions are blocked

“A working group on energy poverty has done a lot of work to improve the access to electricity and heating. But the proposals are not implemented.” (EAPN Belgium)

Cuts and threats to pensions

Cuts are having a great impact on the level of pensions. A number of countries have also carried out reforms restricting the access to pensions (raising the age limit, increasing requirements for working time, restricting the number of heavy/unhealthy jobs allowing for an earlier retirement, etc.). These reforms have negative consequences both on pensioners and on the older unemployed that have little chance of finding a job in the current context and will have to survive longer on precarious incomes before accessing pension payments.

Private pensions are also threatened by the mismanagement of the funds by the banks.

Only Finland is planning to raise the minimum guaranteed pensions by 100 € in 2011.

“Pensions are reduced; all employees should now work till they are 65 years old if they have fulfilled 40 years working period. The State will only guarantee a basic pension of 360 € for all. A second pension will be given according to the beneficiary’s contributions during his/her working period. New restrictions are expected.” (EAPN Greece)

“Many employees being made redundant in companies that are closing down are finding that their pension funds are empty. The Government had to intervene in some cases and in at least one situation with EU support.” (EAPN Ireland)

2.1.3. Unfair taxation policies make the poor pay for the crisis

The reality is that poverty is increasing but also inequality; the wealthiest are becoming richer. But most governments do not attempt to correct this trend. On the contrary, fiscal policies tend to aggravate the situation, as part of deliberate policies to preserve growth potential and remove bottlenecks to growth.

A decision frequently taken is to raise the level of VAT (as in Poland, Romania and Spain). This indirect tax impacts comparatively more on the poorest, and reduces even more their already limited purchasing power.

Discussions are being held in some countries (Ireland, Romania, France...) about fiscal reforms that would tax the rich more but little is implemented. In some countries, regressive income taxation with flat taxes is being pursued.

“The Government commissioned a report on taxation in 2009 which highlighted over 100 tax expenditures/exemption schemes, almost all of which benefit the better off and proposed ending or amending these to ensure they are meeting social or economic objectives. Some of these proposals were addressed in the budget but most were not.”

(EAPN Ireland)

“A positive point is the increase in taxes on property, but it is still very limited.”

(EAPN Austria)

“The government is introducing a flat tax rate of 16% on all personal incomes stating that it will boost the economy.”

(EAPN Hungary)

“According to the Government’s National Recovery Plan 2011-2014, VAT will increase from 21% in 2013 to 23 % in 2014.”

(EAPN Ireland)

In general, liberal taxation policies are being pursued which limit taxes. They aim at boosting the economy, but at the expense of social protection and public services.

“Taxes are reduced in the interest of the middle class; as a result money is lacking for public Services of General Interest and for social inclusion.” (EAPN Germany)

“At the same time as dramatic cuts are made in benefits, enterprises still benefit from the very low tax rate of 12.5%. In 2011, the entry point for taxation was reduced and a new social charge has been introduced in which everyone earning more than €4,004 will have to pay and those earning over €16,016 will have to pay at the highest level.” (EAPN Ireland)

In general, little is being done to review the series of taxation mechanisms that are continuously contributing to the generation of inequalities. An alternative approach would include tackling tax evasion and avoidance, tax havens, extra low corporation tax... Progress towards the implementation of alternative progressive financial instruments including more progressive personal and inheritance taxation, green taxation, financial transaction taxes... is not engaged.

2.2. Employment policies: dangerous steps back

2.2.1. New problems, out of date solutions

Clearly, the dramatic rise in unemployment in the last 2 years is a new phenomenon linked to the economic crisis. But no innovative solution has been developed to face this new threat. The vast majority of Member States’ policies simply derive from liberal economic dogma: reduction of the public deficit, refusal to use public finances as a policy tool, deregulation of markets etc. Indeed, when it comes to employment, governments’ policies mainly aim at increasing flexibility of work through labour law and agreements reforms, and at forcing people into greater economic activity through cuts in benefits.

The most recent learning in terms of inclusive labour markets, developed at the EU level through years of research, mutual exchange and Peer Review within the Open Method of Coordination on Social Inclusion and Social Protection, seems to have been forgotten. Indeed, the EC has already highlighted the limits of activation strategies and insisted on the key role of social protection as an economic stabilizer. The adopted European Active Inclusion Strategy¹³, which established a more efficient pathway based on the three pillars of Adequate Minimum Income, pathways to employment and accessible quality services, is not implemented. On the contrary, unemployed people face increased difficulties in accessing the labour market, at the same time as employment policies prioritise the preservation of existing jobs (as in France) and hardened sanctions. Also worrying is the tendency to renege on the regulation of the labour market, undermining social progress gained over the last decades.

Activation first – targeting the most vulnerable

National Networks were asked to choose from a list the priorities of their government in relation to employment. First comes “Hardening activation policies / Increasing work conditionality upon

¹³ See

http://europa.eu/legislation_summaries/employment_and_social_policy/social_inclusion_fight_against_poverty/em00_09_en.htm

benefits claimants through cuts and sanctions regarding unemployment benefits and minimum income”, selected by 9 National Networks. Activation is now used against new groups, such as the inactive including the sick and the disabled in the UK.

“Persons suffering from permanent illness are obliged to take part in activation measures. In order to ‘motivate’ unemployed to take a job there is a ceiling on social benefit and rent allowance combined. However, two thirds of those affected by the ceiling are categorized by the employment centres as those furthest from the labour market.” (EAPN Denmark)

“Compulsion and punishment have been extended to over 25. They are now obliged to participate in so called rehabilitating work activity. If they don’t, they lose employment benefit for 60 days, or their social assistance benefit (welfare benefit) is reduced by 20% (for two months).” (EAPN Finland)

“Younger people under 25 will only receive the full payment (€188) of Jobseeker allowance if they take up training or education opportunities. But there are not enough

training places available and there is a question over the suitability of many of the courses that do exist.” (EAPN Ireland)

“The new Government is consulting on a new Welfare program reform that suggests the possibility of increasing the severity of penalties for not undertaking activities to return to work.” (EAPN UK)

“Though we’ve got a long tradition of improving access to employment through positive measures and reinforced support, the new right-wing government is rather reinforcing activation and benefits cuts.” (EAPN Sweden)

“The government is consulting on a welfare reform that would increase conditionality.” (EAPN UK)

In a context of the lack of jobs available, the hardening of activation approaches in some countries looks like a deliberate strategy to save on social expenditure and to push people towards very low paid jobs likely to serve economic interests.

More flexibility

Increasing flexibility of working time, conditions and salaries, including through changes in labour law was selected as a priority for their governments by 6 National Networks.

“Government plans to reform labour law so that hiring and firing are made easier.” (EAPN Romania)

“Under the pressure of other countries of the Eurozone the government has imposed by Decree a reform of the labour market, despite the fact that social partners had not reached an agreement.” (EAPN Spain)

A key issue underpinning the relatively negative assessment of employment policies made by National Networks is to what extent do governments have the will and the means to impact on the employment situation?

Support to enterprises

Safeguarding existing jobs has been selected by 7 National Networks as a priority for their government. Very often, this objective has been pursued by supporting enterprises through subsidies (selected by 5 networks), reducing employers' social cost (chosen by 9 National Networks). But this approach has its limits: subsidies may not be sufficient to ensure jobs to be preserved, while reducing employers' social contributions undermines the social protection budget, leading to more cuts in the welfare system.

"An Employment Subsidy Scheme (Temporary) was in place from late 2009- end 2010 but has closed. It provided a subsidy of €9,100 per employee over fifteen months to qualifying exporting enterprises in the manufacturing and/or internationally traded services sectors." (EAPN Ireland)

"Firms were released from the compulsory payment to the Labour Fund and to the Guaranteed Employees Benefits Funds." (EAPN Poland)

Some relevant initiatives do exist. Some Networks mention that their government is investing in social economy (2 National Networks) or creating new jobs (5 National Networks). However the feeling is that in reality governments do not develop the **comprehensive and ambitious strategy** needed to actively address the challenge of massive unemployment.

"The strategy of the government on employment is quite passive for the next 2 years." (EAPN Denmark)

"The main role of Government appears to be about enabling the private sector to create jobs, rather than taking any direct role." (EAPN UK)

"In general there is a major concern that the Government does not have a clear jobs strategy which recognizes and provides work opportunities and training for those who are currently not in position to take up jobs in the 'smart economy', which is the Government's vision of where Ireland will place itself in the future." (EAPN Ireland)

Some governments have already weakened the instruments on which employment policy could rely:

Public Employment Services face an increasing demand for support and would need to be strengthened. In reality they are often weakened and not in a position to meet the needs of the unemployed.

"Today, public employment services build an 'individual plan' no more after 5 months but after 12 months of unemployment." (EAPN Czech Republic)

"A difficult modernization process is ongoing, with still a lot of weaknesses in terms of facilitating access to training, and lack of staff". (EAPN France)

Capacity of the public authorities to adequately manage the need for up-to-date training is under question, given the cuts and limits placed on the relevant public services.

2.2.2. Limitations of workers' rights

Clearly, steps backward are being made in terms of the quality of work and respect of the rights of workers. Indeed, none of the National Networks who responded to the questionnaire considers that safeguarding the quality of work is amongst the priorities of their government.

There is a clear pressure to **reduce wages**.

Governments set the tone by cutting civil servants salaries, notably in the countries threatened most by the financial markets (Ireland, Greece, Spain...). But the downward pressure is also visible in the private sector.

"There is pressure on the minimum wage in specific sectors. A recent court judgment will reduce the salaries for some jobs in the construction sector by 7%. Trade unions are concerned by ongoing lobbies aiming at cutting salaries in the services and other sectors which will have a direct impact on low paid workers."

"Public servants salaries have been cut by 30%." (EAPN Romania)

"The new government's 4 years austerity plan include a reduction in the minimum wage by €1€ to €7.65. This will now put pressure on other sectoral minimum wage agreements and alongside tax and other changes will increase the risk of in-work poverty." (EAPN Ireland)

This goes together with a general degradation of working conditions, with attempts to undermine workers' rights.

"Salaries have dropped even more and working conditions have worsened in general." (EAPN Spain)

"There is clearly a degradation of working conditions." (EAPN Romania)

3. The situation of NGOs

3.1. Major difficulties to address a growing demand

NGOs, who provide social services in the areas of housing, employment, child care and in-kind help, counseling and advice are providing key support to people hurt by the crisis. Members of Eurodiaconia, a federation of organisations, institutions and churches providing social and health services and education say *“Our members have not felt the support of public authorities during the crisis”* Instead they have been facing an *“increased demand in services. They are expecting these demands to continue to increase; they also expect to be called to counterbalance a decrease in the provision of publicly run services.”*¹⁴ (Eurodiaconia).

The majority of respondents (14) stated that demand on NGOs services is clearly on the rise. Only 4 of them considered that demand is more or less the same as last year (PL, CR, NW, SK). None of the National Networks and European Organisations who responded to the questionnaire considered that the demand on NGOs services is diminishing.

Obviously, this rise in the demand reflects both the deterioration of the situation people are facing but also the cuts being made in public services.

A large proportion of this increasing demand is for the same services (as mentioned by 13 respondents), notably for basic in-kind support in key services.

“Demand for emergency food help is exploding.”

(EAPN France)

“There are increased demands from those experiencing extreme forms of poverty for food and homeless services and, for many, for budgeting advice.”

(EAPN Ireland)

“People come to us because they can’t pay for current expenses and treatments.”

(EAPN Romania)

“Member organisations face more and more requests for day care centers for children with a difficult family background, including meals and homework support.”

(European Foundation for Street Children)

7 respondents also see rising or changing demand from different targets groups, notably families and migrant workers, some of whom get no help at all from public services since they are undocumented or not able to meet the residence criteria for welfare benefits.

“Organisations providing services for homeless people reported an increasing number of families and older people who are not homeless but who ask for food.”

(EAPN Hungary)

“New groups arrive from the Balkans, from the Netherlands and Spain. A number of them are from non-EU origin, have legal citizenship in these countries but can’t find work there anymore.”

(EAPN Belgium)

¹⁴ Idem 3

According to 5 respondents there is also a clear rise in the demand for new services, in particular debt counseling.

NGOs face people's increasing needs with shrinking resources. 12 of the National Networks and European Organisations, responding to the questionnaire, highlighted cuts in their current or future national public funding; 9 raised increased difficulties in applying for new national public funding; 8 mentioned a reduction in donations.

"The budget of the National Civil Fund which is one of the most important financial resources for many NGOs (mainly for smaller ones) is going to be cut by 50%."

(EAPN Romania)

"So far, £11.5 million has been cut by the Office for Civil Society, a large proportion of which provided support in England and Wales to social economy infrastructure organisations. The Government is seeking through its Big Society programme to promote a way of looking at voluntary work as an alternative to paid work, as a way to reducing the costs of Government in making social provisions."

(EAPN UK)

FEANTSA, on the other hand, notes that *"in some countries funding for emergency services are increased, as well as housing first projects for homeless"*. They add that in most countries', budgets are cut, but that *"in some countries although they still manage to keep homelessness budgets (strictu sensu) at the same level - the question is for how long."*

Structural Funds/EU projects do not seem to compensate for this lack of resources.

"Every NGO has experienced large cuts in their funding from Government."

(EAPN Ireland)

"Private foundations (mainly US ones, like Soros Foundation) have left Hungary, as it is said to be a stable democracy, so there is a lack of funding opportunities."

(EAPN Hungary)

"Some of our member organisations are trying to cushion the lack of staff with more volunteers, but this certainly can not match the need for a high degree of professionalism and permanent presence in an organisation."

(European Foundation for Street Children)

"People give less and less often."

(Eurodiaconia)

Contrary to what has been presented by the European Commission in its Joint Report on Social Inclusion 2010, the changes in MS Operational Programmes have had a mixed effect regarding the social inclusion of the most vulnerable groups. There is a global trend re-orientating ESF towards the closest from the labour market to maintain jobs at the expense of vulnerable groups, who are the most excluded.

"The calls for ESF have been cancelled."

(EAPN Hungary)

"Another problem is the (unfair) competition for the structural funds coming from inter-governmental organisations."

(EAPN Romania)

"Funding cuts are now commonplace and it is expected that this situation will worsen significantly."

(EAPN UK)

“The absorption rate of the structural funds is very low in Romania (around 10%) and becomes a problem even for the IMF. (...) Only big NGOs are accessing structural funds now, due to the financial difficulties related to the cash flow.”

“NGOs can hardly afford to participate in European projects since they have to contribute with 10-25% (in Romania there is no mechanism to allow NGOs to ask for a part of this contribution from the State) and it takes 8 to 12 months for the Government to reimburse the expenses.”
(EAPN Romania)

As an exception to this negative panorama, FEANTSA highlights *“a new funding facility within Structural Funds for housing projects for marginalised groups.”*

Only the Swedish network highlights extra public funding linked to the events organised for the 2010 Year and expects an increase in their funding. In some cases, extra funds are coming from private sources, demonstrating a concern for solidarity, such as in Denmark where private donations are on the rise and in Spain where tax payers are more and more often choosing the option allowing them to contribute 0.7 % of their income taxes to welfare organisations.

This general weakening of the funding of NGOs has a series of very worrying consequences for the whole society, adding to the obvious facts that vulnerable people do not get the support they need and that NGOs have to work with smaller staff and rely more on volunteering.

→ Increased pressure on service delivery by NGOs

“NGOs which are contracted by public authorities for delivering services observe that the amounts of these contracts diminish while the amount of work associated is increasing. NGOs have to “take it or leave it” or “we’ll find someone else to do it.”
(EAPN Belgium)

→ Limitation of innovative /small scale projects

“There are no funds for new NGOs or for NGOs who are not delivering services.” (EAPN Romania)
“The smaller NGOs complain about the too strong position of the big ones.” (Eurodiaconia member)

→ Limitation of exchange and networking between organisations

The European Federation of Street Children insists on the difficulties their organisation is facing as a European Network since their national member organisations lack funding: some of their members can no longer find the compulsory matching funds for the European Organisation EU grant, or can not attend European meetings as they cannot pay their travel expenses. For Eurodiaconia members, the decrease in funding increases competition between social providers undermining solidarity.

Within this competitive environment, NGO service providers observe the increasing development of private services providers who can manage their budget with more flexibility than NGOs.

→ Limitation of the advocacy role of NGOs

12 of the National Networks responding to the questionnaire consider that they have difficulty in playing their crucial advocacy role, supporting the voice and concerns of people experiencing poverty, because of lack of time and resources.

“Money is directly invested into client support and projects; little is left for advocacy work.”
(EAPN Czech Republic)

“We spend our time looking for money ...” (EAPN Poland)

NGOs in some countries are facing the deliberate political decision to exclude them as partners in the governance process, weakening participative democracy as well as reducing the participation of People Experiencing Poverty. Such a choice seems particularly questionable in these difficult times when debating with all stakeholders and building consensus on solutions is desperately needed.

“There has been a major dismantling of the broad infrastructure to address poverty, social exclusion and equality and in particular that which was involved in advocating for change. This includes:

- *Withdrawal of funding to 181 independent Community Development Projects in disadvantaged communities in 2010 resulting in some being immediately closed and the majority of the remainder being integrated into a non independent partnership structure now called the Local and Community Development Programme.*
- *The integration in 2009 of the independent Combat Poverty Agency into the Social Inclusion Division currently in the Department of Community Equality and Gaeltacht Affairs.*
- *Closure in 2008 of the independent National Consultative Committee on Racism and Interculturalism (NCCRI).*
- *Cuts in 2009 to the budget of the Equality Authority of 43% and the Irish Human Rights Commission of 23%.”*

“A number of service agreements for funding from Government emphasize that the funding is for service delivery and not for supporting advocacy.”
(EAPN Ireland)

“There is change taking place in the type of funding that organisations can expect, a move from grant funding to service contracts. This changes the way many NGOs operate and restricts, in many cases, the kind of advocacy work they are able to undertake.”
(EAPN UK)

“The situation is changing towards a more market-like system where NGOs are selling services in areas decided by the authorities instead of a more general support for NGOs.”
(EAPN Sweden)

“NGOs supporting the unemployed are still excluded from the place where it is discussed and are not in contact with relevant administrations.”
(EAPN France)

→ The development of the participation of people experiencing poverty is at stake

11 of the respondents considered that they face difficulties accessing funding for participation. Only Norway indicates an improvement.

“The granting principles of the National Civil Fund for 2011 were published some days ago. Only the 3-5% of the whole budget can be use for supporting democracy or local participation projects.”
(EAPN Hungary)

3.2. NGOs play a key role in the rising mobilization of the civil society around the social impact of the crisis and of the policy options taken

Despite these extremely difficult conditions, NGOs don't give up on their ambition to raise awareness about the reality of the life of people facing poverty and to lobby for change.

9 of the National Networks who responded state that they are actively engaged in lobbying regarding the social consequences of the crisis. Activities developed range from press releases, conferences, meetings, direct lobbying of decision makers...to protests.

European Organisations voice the *“need to more deeply question the current system and its values”*; *“the need to develop a new vision.”* (Eurodiaconia)

In some countries, members use exiting participation structures for their lobbying: as in Belgium, with the 'Federal Advice Committee on Social Welfare' or the Community Platform in Ireland.

But structured participation processes are not in place in every country or not in a sufficiently effective form. EAPN members complain about the lack of transparency in the decision making around the management of the crisis.

“The social movement ‘claiming our future’ gives an expression of the deep frustration within the civil society about the almost total exclusion of community and non-governmental organisations from the decision-making processes concerning the life of people in the next decade. This movement has been working on alternative economic policies, and is developing bonds between Trade-Unions, community and civil society organisations.” (EAPN Ireland)

Strength in union – Building broader alliances

EAPN members often engage in alliances with other stakeholders in the civil society (Trade-Unions, research....).

40 European wide organisations joined EAPN in a coalition during the 2010 European Year against Poverty and Social Exclusion under the banner and slogan *“Building a Europe for all – End Poverty”*¹⁵. This campaign has been a useful catalyst for action and alliance building for NGOs at the national and regional level. EAPN has also been an active partner as part of the Social Platform representation in the Spring Alliance (an EU coalition combing the forces of the social, environmental and development NGOs with the trade union movement which developed together a common stance on Europe 2020 and the Crisis) See www.springalliance.eu.

¹⁵ See: www.endpoverty.eu

“The grouping of NGOs ‘ALERT’ organised several press conferences in order to alert public opinion on the social consequences of the crisis.”

(EAPN France)

“We have highlighted the time to invest in people. We now have the support of The Norwegian Confederation of Trade Unions (LO) of our demand for a rights based social assistance scheme on a level which is similar to the amounts in the research based standard budget for households.”

(EAPN Norway)

“We are part of a campaign group which campaigns against cuts to the minimum income and minimum wage, called ‘The Poor Can’t Pay’. We also lobby through the Equality and Rights Alliance for the establishment of an independent and effective equality and human rights infrastructure to replace the one made ineffective due to funding cuts and in the case of the equality infrastructure has its independence removed at the top level.”

(EAPN Ireland)

The aim of these actions is not only to raise awareness and to stand up against dangerous policy decisions but also to develop a better understanding of what is happening and to propose alternative options.

“We have been involved in a very in-depth and exhaustive collective reflection process, called España 2020. The process consisted of a series of seminars gathering experts, practitioners, and NGOs representatives in order to elaborate a strategic document which might reflect our common position regarding the current situation, and the future up to 2020.”

(EAPN Spain)

“Many conferences are held where all these problems are discussed, as well as public debates through media, meetings with policy makers and MEPs.”

(EAPN Estonia)

“A series of meetings have been held to discuss about the crisis, a strong need for a broader vision and explanations about what is going on came out very strongly.”

(EAPN Bulgaria)

A number of EAPN networks takes initiatives and voices the concerns of the most vulnerable. Unfortunately, however there are a number of other members that are facing so many difficulties through lack of financial support or public recognition, that they are simply not in a position to take action, such as for example the Greek network. However we know that they share similar concerns as well as the conviction that the wrong choices are being made in the EU today.

4. Conclusion: causes and alternatives

4.1. The danger of not debating the causes of the crisis

The continuation of the same growth model traps countries in a downward spiral

For some countries, the crisis is not just a temporary difficulty, but rather it is a trap into which they have fallen and now cannot escape. This is mainly caused by the liberal policy options their governments have pursued.

Clearly, the austerity measures endanger the already fragile possibility of a recovery.

“The government has confirmed signs of recovery, but analysts warned of more bad times ahead as austerity measures begin to bite.”

(EAPN Spain)

“Layoffs are expected to continue, leading to higher unemployment that will trigger the increase of the default rate at banks and utilities suppliers as well as the consumption cuts.”

(EAPN Romania)

Members highlight other signs showing how the dynamism of their country is affected in the longer term. For example, the decline of the birth rate in Estonia and the growing fear of the future in the Czech Republic have been noted.

The failure to debate the causes of the crisis and to reconsider our model of development

“We stand against the theory of the glory days!” (EAPN Social inclusion Working Group)

Members greatly regret the lack of debate regarding the causes of the crisis. They oppose the theory that the current crisis was inevitable and is just the natural end of the economic cycle.

The EAPN members demand a broader vision. Evidently, the crisis reveals the imbalances underpinning the previous period of growth. They highlight the following causes:

- The decline in the share of the salaries in the Growth Domestic Product in the EU over the latest decades
- The financial deregulation
- The deconstruction of the Welfare State and the limitation of public investment;
- The constant rise in inequalities in the last period
- Fiscal and social dumping within the EU

Members from Eastern European countries have asked why their recent accession into the EU has not lead to a real improvement in their social situations.

“We [have been] through a crisis for 20 years. Why didn’t the integration in the EU change anything?”

(EAPN Bulgaria)

If the causes of the crisis are to be remedied, EU countries should now review the current model of growth. Instead, it seems that the financial and economic system continues unchallenged and the same solutions are being applied.

Banking system still not regulated

The banking system continues in the same line with little progress in the regulation of the sector. The main responsibilities have not been identified and attitudes have not changed. A number of banks, despite huge profits and enormous bonuses granted again to high level management, are still not at the service of the people.

“Those responsible for the financial crisis (by taking too high risks in order to get the highest profit possible) wanted to go back to the same dangerous practices as well as to high bonuses for Chief Executive Officers. But a law was adopted in June 2010 that allows the government to prevent the use of dangerous banking products.”

(EAPN Belgium)

“The cost of bailing one bank alone will be between €29 billion and €34 billion, money which will never be recouped. Tax receipts in 2010 were under €32 billion (€4.8 billion or 15% of this went to service our national debt) so the cost of bailing out banks is crippling. Still banks are not lending and many board members are still in place”, said the Irish Network.

The costs of not building a Europe of solidarity and of not taking the leadership in developing an alternative social and sustainable model of development based on promoting equity

The EU did not prevent this crisis happening because it prioritised pursuing growth based on liberalization first rather than building a sound economic and social common space based on cooperation and solidarity. This is not the EU EAPN members want: it does not address people’s need for security and a decent living; it does not reflect both the ideas of solidarity and progress which inspired its creation and the convergence that has been deliberately sought between national economies over its enlargement. Today, the EU is divided among different groups of countries facing different situations. It is also divided within countries and between different groups, some of whom have been the worst hit by the crisis.

“Interest rates on loans imposed by the EU on Ireland are higher than those imposed by the IMF!”

(EAPN Ireland)

Despite the fact that the economic and financial crisis is a transnational phenomenon taking place in a globalised world, national approaches have been prioritised over common European responses. Within the EU, fiscal and social dumping are undermining the progress towards enhanced cooperation on economic and financial policies.

4.2. Alternatives are possible

What has been missing at the EU level in the last decades that would have prevented such a crisis from being so destructive? At least:

- More efficient and ambitious convergence tools including Structural Funds that could have better targeted those who are the furthest from the labour market
- A strong defense of social protection systems as automatic stabilizers and a foundation for restoring people's confidence in recovery
- Effective prevention of fiscal dumping and the promotion of more equitable and progressive tax systems that tax all wealth
- Effective regulation of the financial markets
- Active cooperation on economic, public budget and employment policies likely to facilitate jobs creation and the stimulation of the economy
- Robust dissuasive mechanisms of solidarity likely to prevent market speculation against individual Member States
- Effective participation of all stakeholders including People Experiencing Poverty in the policy making at EU and national level

Again today, the EU 2020 Strategy, seems a missed opportunity to develop an alternative social and sustainable model. Despite the EU's commitment to sustainable and inclusive growth, with its target to reduce reducing poverty and social exclusion, the EU's priorities appear to remain growth and fiscal consolidation. Not only are the negative social impact of these policies not being taken on board, there is little evidence of any real commitment to an integrated economic, environmental and social approach. As a result, the EU is continuing to drive a narrow macro-economic EU strategy focused on growth at any price that is likely to generate more poverty and increase inequalities, instead of taking the lead to achieve a cooperative response to the crisis based on the redistribution of wealth between regions and people. This is a missed opportunity to show that Europe cares and to demonstrate that the Europe 2020 strategy, and EU approach to the Crisis, **puts people first**.

EAPN is convinced that **alternative options can still be chosen**, reflecting a pro-active long-term view towards prosperity for all, notably:

1. Choosing anti-cyclical measures to invest in recovery and boost demand rather than the reduction in deficits at any price
2. Reducing deficits more slowly and more equitably – i.e. with increases in income through tackling tax evasion and avoidance, new progressive taxation instruments for both personal and corporate taxes, and financial transaction taxes on speculative actions
3. Making more relevant priorities in terms of expenditure to cut: social budgets could be preserved at the expense of defense budgets, etc.

Other key elements include:

- Investment in people and local communities against long-term social and health costs that will result from rising poverty;
- Partnership approach with NGOs fighting poverty and social exclusion, based on a sufficient financing and participative approach, likely to support these organisations in their function of services provision and capacity building as well as facilitating the participation of People Experiencing Poverty
- Use of integrated measures to create sustainable employment as part of an integrated active inclusion approach
- Reinforcement of minimum income and social protection across the lifecycle as automatic stabilisers and foundations for sustainable recovery
- Regulation of financial and economic markets

For more information

EU official documents

- [2010 Update of the Joint Assessment by the SPC and the European Commission of the social impact of the economic crisis and of policy responses](#), November 2010
- [Second joint assessment by the Social Protection Committee and the European Commission of the social impact of the economic crisis and of policy responses](#), November 2009
- These reports are accessible on the Social Protection Committee's webpage: <http://ec.europa.eu/social/main.jsp?catId=758&langId=en>

EAPN press releases and publications

- [EAPN sends key messages to the Citizens' Agora on Poverty and the crisis](#): , January 2011, www.eapn.eu
- [First steps in EU 2020 Strategy ignore inclusive growth](#), www.eapn.eu
- [EAPN's Report on the Social Impact of the Crisis and of the Recovery Packages, December 2009](#), www.eapn.eu
- *Poor and marginalised increasingly silenced as impact of recession takes hold*, July 2010, www.eapn.ie (EAPN Ireland)

Other NGOs

- *How the crisis is affecting the next generation*, January 2011, www.eurochild.be (Eurochild)
- *The Social Cost of the Crisis: even more in need and more needed*, February 2010, www.eurodiaconia.org (Eurodiaconia)
- www.springalliance.eu

European Trade Union Congress

- *Economic and social crisis: ETUC positions and actions*, www.etuc.org/a/5838

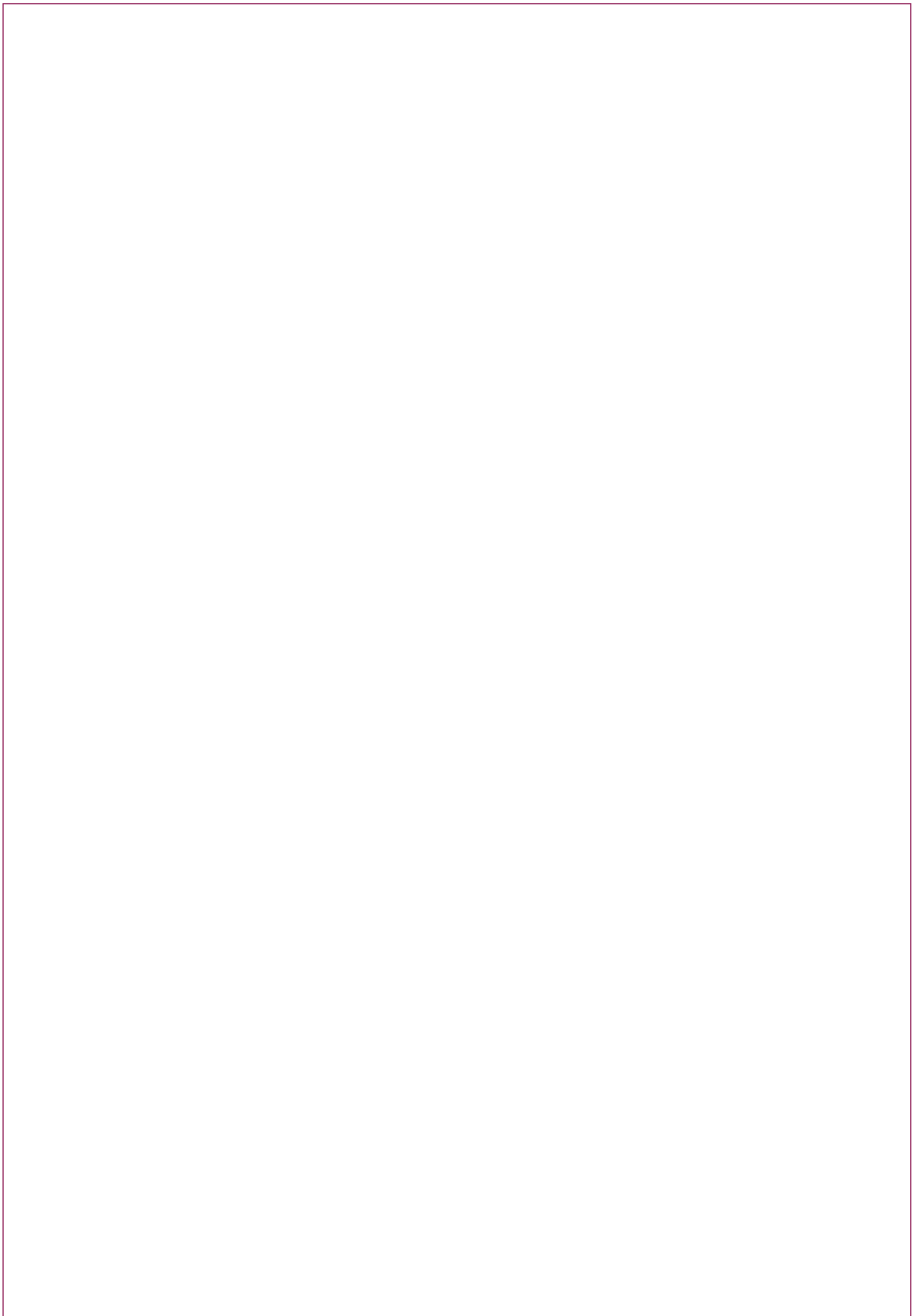
Research

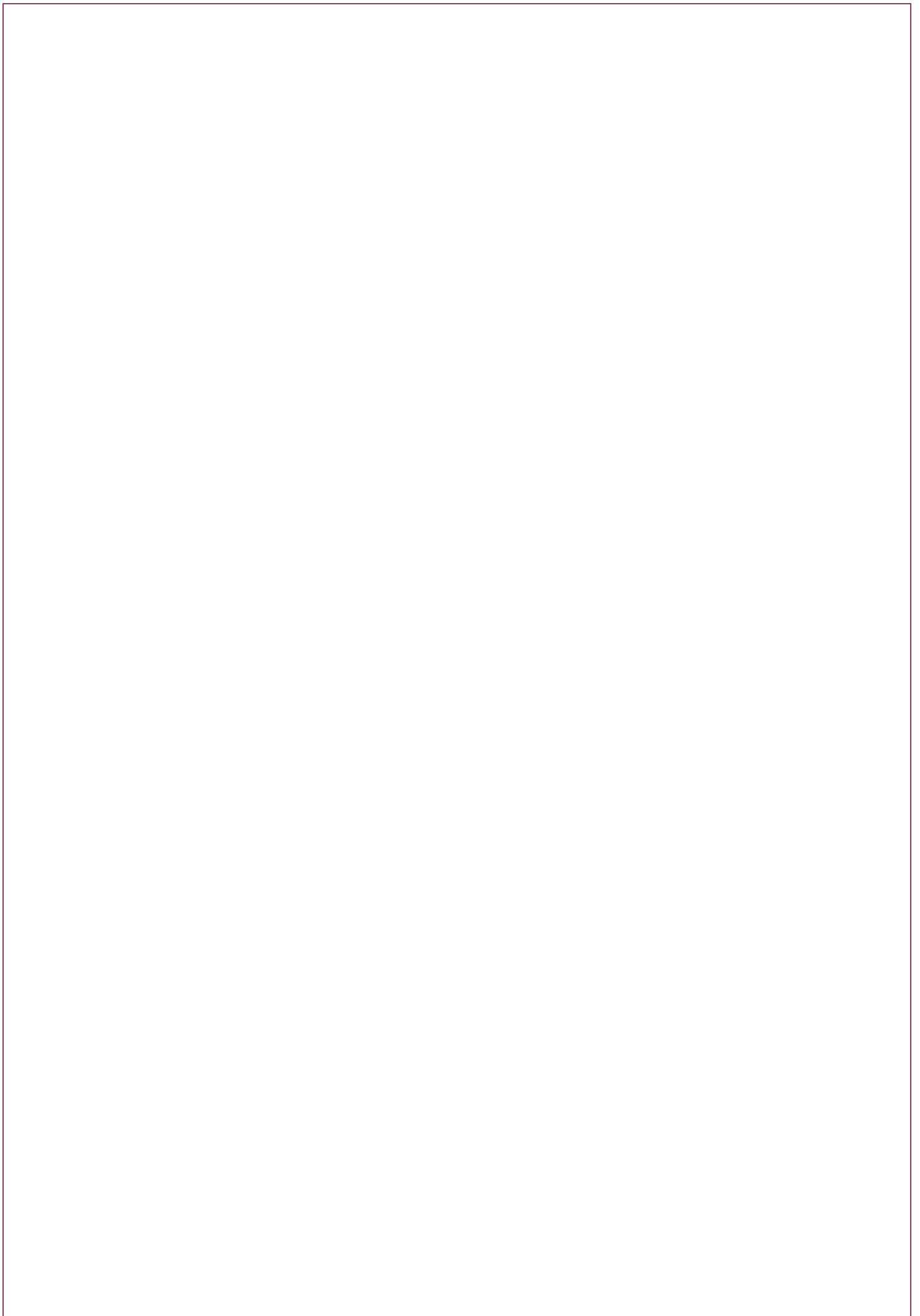
- *The economic and financial crisis: promoting a labour-friendly policy response*, webpage gathering relevant initiatives, European Trade-Unions Institute,
- <http://www.etui.org/en/Headline-issues/The-economic-and-financial-crisis-promoting-a-labour-friendly-policy-response>
- [Child and working age poverty set to rise in the next three years](#), Institute for fiscal studies, December 2010, UK, <http://www.ifs.org.uk/publications/5372>
- *Confronting the Crisis: Austerity or Solidarity*, European Economists for an Alternative Economic Policy in Europe, Euro memorandum 2010/2011

NOTES









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For more information:

<http://ec.europa.eu/social/main.jsp?catId=327&langId=en>

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