

24 June 2014

To: President van Rompuy  
To: EU Heads of State and Government  
**Refer: European Council 26 and 27 June 2014**

Your Excellency,

We are writing to you on behalf of EAPN, the European Anti-Poverty Network, representing more than 6000 organisations across Europe.

We are deeply concerned with the overall message that growth will in itself improve the lives of people in Europe, especially those suffering from poverty and social exclusion. **The social emergency is not over**, with stubbornly high unemployment, precariousness in jobs, reduction in social protection standards and rising poverty and social exclusion directly linked to current policies.

The poverty crisis is now affecting nearly 1 in 4 of the EU population, reaching 124, 2 million people (2012) – a rise of 6.6 million people since Europe 2020 started.

There is an **increasing range of economic, social and other actors rejecting current policies of austerity**, including cuts to public services, reduced welfare levels with increased conditionality and reduced quality of work for those on low incomes and in precarious work. These policies are continuing to directly increase poverty and inequality; fail to reduce deficits or re-start growth, and threaten social cohesion and solidarity. The EU desperately needs a new social heart, and a new social vision. Urgent action must be taken by the EU, if people are to be convinced that the Union is acting in their interest, and that a social vision, which upholds the EU social model, is a core priority worth defending.

Therefore, we call on you to back Social Europe, to restore balance to economic and social objectives including in the Europe 2020 strategy and economic governance whilst tackling the immediate poverty crisis. The first step should be agreeing on establishing an EU integrated “**Marshall Plan**”, to invest in social protection and public services; create quality jobs and invest in social protection and public services in order to stop the spiralling poverty levels and thus begin to restore legitimacy.

In the European Summit on the 26 and 27 June, you will also **review progress on Europe 2020 and the European Semester and endorse the Commission’s proposals on Country-Specific Recommendations**. EAPN has consistently attempted to engage in Europe 2020 and the Semester, through the NRPs. In February this year, our members made assessments of the 2013 CSRs and their implementation, before making their own proposals.<sup>1</sup> We now present the key messages from our initial assessment.

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<sup>1</sup> See EAPN 2014: [Getting Progress on Poverty and Participation: EAPN Assessment and Proposals for CSRs 2014](#), and Annexes per country

Whilst we welcome **the increase in the number of so-called ‘poverty-reduction’ related CSRs** (from 11 to 12), as a sign of an increased commitment to more clearly mainstream the Europe 2020 social targets in the Semester, we are concerned about the mismatch with the SPC’s own assessment which highlighted a ‘reduction’ in the number social inclusion CSRs (7). In reality, it is difficult to see where effective measures to **tackle the social impact of the crisis have been made an urgent priority, nor how the specific measures nor the overall package of CSRs will have a real impact on poverty reduction**. The expected mainstreaming of a ‘**social investment approach to ensure an inclusive growth**’, as promised by the Strategy, is also largely absent.

This is partly due to the **restricted focus of the ‘poverty’ CSRs**, which select isolated policy measures that are often vague and easily misinterpreted. Many are inconsistent with other CSRs, particularly macroeconomic ones and fail to provide comprehensive solutions. Although the increased focus on **adequacy and coverage of unemployment benefits and minimum income** is welcomed, the link to increased targeting undermines universal access, whilst increased conditionality contradicts a supportive integrated **active inclusion approach**, ensuring access to quality jobs, adequate income support and services which could help provide people with an effective route out of poverty.

The priority given to activation at any price, targeting those closest to the labour market, seems to shift the CSRs away from **comprehensive anti-poverty and social inclusion strategies**, which are essential to ensure access to rights, resources and services for all groups, particularly the most excluded. **Increasing the capacity and quality of public employment services**, and investing in personalized services and outreach support especially for those furthest from the labour market are welcome, but the efforts are in vain in the **absence of comprehensive job creation** strategies. Quality of work is not only not mentioned, but undermined by messages about freezing wages to boost a particular view of competitiveness. Equally, some encouraging proposals on **inclusive education** and raising the quality of training are marred by a narrow labour-market-needs approach, disregarding personal and human development.

Whilst there is a welcome **increased focus on investing in children to reduce child poverty**, this is mainly through childcare measures with more focus on affordability and quality to help women back into work. Insufficient attention is paid to promoting access to quality early education and care, as part of an integrated approach as highlighted in the Social Investment Package. Other groups facing rising poverty/exclusion highlighted in the SIP are also either given no focus (e.g. homeless, with no CSRs despite half the countries mentioning homelessness as an urgent priority in the NRPs) or very limited recommendations (e.g. migrants, Roma, single parents, long-term unemployed), considered mainly in terms of their productive potential (i.e. in employment and education measures), including for specific groups more at risk of poverty.

Most importantly, even the positive CSRs, which may help to reduce poverty, are too often contradicted and undermined by the **overriding number of CSRs on macroeconomic priorities, still focused on reducing deficits** by austerity measures or raising revenues through **regressive tax reforms**, which undermine potential funding for these essential jobs, services and benefits, rather than providing support towards **inclusive growth based on social investment** in people, not just markets.

**We call on the Heads of State to:**

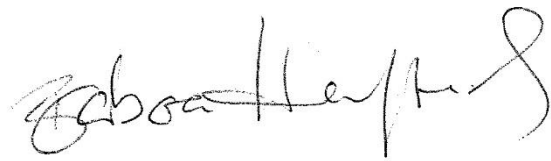
- **Require effective CSRs for all countries where poverty is increasing**, or little progress towards the target is being made, through integrated strategies to fight poverty and social inclusion, including a balanced approach to integrated active inclusion (adequate minimum income, inclusive labour markets and access to quality services).
- **Go beyond employability to invest in quality job creation and inclusive education.**
- **Prevent macroeconomic policies from generating more poverty**, by restricting austerity cuts to public services and benefits, promoting social investment and comprehensive social protection financed through inclusive tax justice reform.
- **Promote genuine stakeholder engagement and debate to ensure viable solutions, ownership and accountability.**

We hope that you will take on board our views in your discussion, and agree to give renewed priority to ensure that an urgent response is taken to reduce poverty through a coherent economic and social policy approach.

Yours sincerely,



Sérgio Aires  
President



Barbara Helfferich  
Director

Cc: Commissioner László Andor, European Commissioner for Employment, Social Affairs and Inclusion

See: [The Summary of EAPN's initial assessment at the end of the letter](#)

## Summary of Initial Assessment

### **Poverty CSRs need to support integrated strategies and active inclusion**

- Several CSRs focus on adequacy and coverage of unemployment benefits and minimum income (BG, IE, HR, LV, IT, LT, PT) which is crucial to enable people to have a stable base when out of work and enable them to stay close to the labour market. However, this is too often tied to recommendations to increase conditionality, which increase hardship, without increasing the opportunity to find quality employment.
- Few signs are given of integrated Active Inclusion, although some moves for more integration between employment and income strands are made, however mainly from the same perspective of conditionality rather than promoting integration tailored to personal needs and challenges (BG, ES, HR, IT, UK).
- While there is a welcome priority given to increasing access and effectiveness of social services, particularly family services (BG, IT, ES,) increased targeting of services without a commitment to universal provision undermines their social protection role to prevent as well as eradicate poverty.
- Reforming the housing market to provide more affordable homes is rightly highlighted, however the policy measures proposed focus on measures to reduce subsidies on home ownership, raising rents and liberalizing markets (NL, SE, UK) rather than investment in social housing and affordable rents. There are no specific measures to highlight housing exclusion.
- Whilst 2 countries get Recommendations to promote integrated social inclusion strategies – ES (to implement the National Action Plan for Inclusion) and HU (particularly for children and Roma) - this is contradicted by a step back in other countries – ie in BE where a comprehensive strategy for social inclusion for migrants is replaced by a sole labour market focus, and in BG the loss of a national strategy on poverty and Roma Inclusion.
- Specific groups are given uneven and limited attention. There is an important increase in support for childcare, with more focus on affordability and coverage (DE, EE, IE, IT, HU, AT, UK), but no references to integrated strategies for investing in children, and preventing trans-generational transmission of poverty. There is limited reference to social inclusion strategies for key groups facing the greatest risk of exclusion migrants (BE), Roma (HU) except through employment, and no CSRs on homelessness.

### **Go beyond employability to create quality jobs, and support inclusive education for all**

- At a time when in-work poverty is growing, a shocking number of countries (BE, BG, DE, ES, FR, HR, LU, PT, RO, SI) are encouraged to review wage setting solely in function of boosting competitiveness and alignment with productivity, which means condemning workers to live in hardship at the mercy of the economy. Additionally, the Commission proposed reductions in social security contributions, thus also limiting financial support available for those out of work. With the notable exception of Spain, quality of work in general is not mentioned in any of the CSRs, and neither is job creation – both essential to ensure the employment and poverty targets are met.
- A very welcome development is that many countries received CSRs urging them to invest more in personalized support towards the labour market, especially for those hard-to-reach (BE, BG, CZ, DK, EE, IE, ES, FR, HR, IT, LV, LU, AT, PL, PT, SI). Most worryingly though, and contradicting recent findings of the Employment and Social Development in Europe report of the European Commission (which shows that adequate benefits result in better

and quicker reintegration in the labour market), more than half of countries above (BE, DE, EE, FR, IT, LT, HU, NL, SK) are urged to pursue negative, punitive activation tactics, pushing people into work by threatening to cut social assistance if jobs offered are not taken up, regardless of their quality.

- EAPN also welcomes the increased focus on young people in almost all countries (BE, BG, CZ, DE, EE, IE, ES, HR, IT, LV, LT, LU, HU, PL, PT, RO, SI, SK, FI, SE, UK), although feels that education and employment opportunities are not enough to ensure that youth don't experience poverty and exclusion. It is also encouraging that some vulnerable groups (Roma, migrants, low-skilled, long-term unemployed) are explicitly mentioned. Regrettably though – only regarding employment and education. Also, other key groups (people with disabilities, lone parents and others) are not mentioned at all.
- The focus on quality education (BG, CZ, ES, LV, SK) and on inclusiveness and ending segregation (CZ, FR, HU, SK) is very welcome but, unfortunately, featured in very few countries. Calls to reduce early school leaving do not make the link with the intergenerational transmission of poverty, with widespread discrimination and obstacles in accessing education, not least because of socio-economic background. Regarding adult learning, the focus of the CSRs is almost exclusively on matching labour market needs (BG, EE, IE, ES, LT, LU, MT, PL, RO, SI, SK, UK), rather than supporting educational attainment also for personal development, and as a human right.

### **Prevent macroeconomic policies from generating poverty and promote social investment**

- It's difficult to see much switch from growth to social investment and inclusive growth. All MS received CSRs to continue budget consolidation with deficit and debt reduction which primarily focuses on cutting social expenditure. Whilst a few received some encouragement to invest in growth (CZ, DK, DE, IT, NL, PL, SE), this focused mainly on infrastructure and R+D, with education being the only social investment, rather than integrated support to social protection and health systems, and employment creation and support.
- Pensions, Health and Long-term Care are given in most MS' macroeconomic CSRs, however the priority is cost cutting, rather than increasing access and quality. For pensions, although the focus on sustainability in pensions is important, the priority is given to raising retirement ages (BE, BG, CZ, DE, LT, MT, AT, RO, SI), with much less focus on supporting older people to stay in or access quality jobs, and without concerns about the levels of pensions particularly for low income pensioners on pillar 1. Cost effectiveness and cutting is the visible focus in Health and/or Care Services (BE, CZ, IE, ES, FR, HR, LV, LU, MT, NL, AT, RO, PT, SI, SK, FI) and Care Services, without obvious considerations of increase in quality, coverage and affordability. Few include the important reference in NL to ensure access and quality, and monitor the effects of reform.
- While the increased focus on tax reform is welcomed, the primary focus is reducing the tax burden on labour towards 'less growth-distortive taxes' ie consumption, property and pollution taxes (AT, BE, CZ, FR, DE, HU, IT, LT, LV, NL, RO and ES). Particularly consumption taxes run the risk of being regressive, as basic goods represent a larger proportion of low-income families, and environmental taxes need to be carefully proofed to ensure fair social impact, with little choice over housing or appliance costs. A shift away from labour, can reduce the burden for low-income workers, but care needs to be taken not to undermine financing of social protection systems through employment. A few CSRs mention balance and fairness (BE) and there is a welcome focus on tax compliance, tax evasion and tax avoidance (BE, BG, CZ, DE, ES, IT, LT, MT, PL, PT, RO). An explicit support to progressive taxation – income taxes, increased property, inheritance and corporate taxes - would provide the basis for a new inclusive-growth friendly tax policy.