

# EAPN's Analysis of the Annual Growth Survey 2012

## KEY MESSAGES

- **Europe 2020 continues to be invisible in the AGS** overshadowed by economic governance and the economic semester.
- **The new “social” priority 4 is welcomed but undermined** by EU’s overarching austerity focus and priorities of economic governance.
- **Growth-friendly fiscal consolidation proposals fall short of re-affirming inclusive growth** and backing progressive taxation to reduce growing inequality gap.
- **Tackling unemployment needs concrete measures to promote quality work and Active Inclusion, not hardening conditionality.**
- **Social consequences of crisis cannot be reduced to unemployment nor tackled without stronger safeguards to social protection, integrated Active Inclusion approaches** (including ensure adequate income support) and a **social investment package.**
- **Failure to mention governance and participation undermines credibility** of EU and ownership of Europe 2020, reinforcing the democratic deficit.
- **Structural Funds fall short of their potential to contribute to the achievement of the poverty reduction target.** Their contribution is further undermined by insufficient mainstreaming of social inclusion in all Structural Funds and the introduction of macro-economic conditionalities.

JANUARY 2012

## Introduction

On the 23 November 2011, the European Commission adopted the 2012 Annual Growth Survey (AGS) launching the 2012 Economic Semester of economic governance. The AGS confirmed 5 key priorities for 2012:

- 1) Pursuing differentiated growth-friendly fiscal consolidation.
- 2) Restoring normal lending to the economy.
- 3) Promoting growth and competitiveness for today and tomorrow.
- 4) Tackling unemployment and the social consequences of the crisis.
- 5) Modernising public administration.

These priorities, backed with the other documents<sup>1</sup> in the AGS form the main drivers for Europe 2020 strategy in 2012, particularly for the 2012 NRPs and Stability and Growth Programmes.

## EAPN's view

Following the EAPN members' assessment and social scoreboard of the 2011 Europe 2020 NRPs<sup>2</sup>, EAPN wrote to President Barroso offering concrete demands for improvements in the 2012 AGS<sup>3</sup>:

- 1) Prioritise inclusive recovery and growth through poverty reduction.
- 2) Kick-start an inclusive recovery, through a social investment stimulus package supporting access to quality jobs, benefits and services.
- 3) Give priority to closing the inequality gap.
- 4) Use EU funds effectively to reduce poverty.
- 5) Get serious about democratic accountability and participation.

With the launch of the AGS, EAPN again wrote to Prime Ministers highlighting our initial concerns<sup>4</sup>. In this document we highlight our detailed key messages and recommendations.

## EAPN Welcomes in the AGS 2012

- The recognition that fiscal consolidation focused on austerity measures is undermining growth and triggering negative social consequences.
- Support for fairer, growth-friendly tax policies, away from labour, tackling tax evasion and avoidance, support to Financial Transactions Tax and Energy Tax.
- The emphasis on the need for a job-rich recovery, although there are insufficient concrete measures on how quality jobs will be achieved and excluded groups supported into them.
- The focus on youth unemployment, although there are concerns about other groups, quality work and Active Inclusion.

---

<sup>1</sup> The AGS Communication is supplemented by a package of [associated documents](#) (draft Joint Employment Report, Progress Report on Europe 2020, proposed regulations on increasing surveillance for the euro area building on the 'six pack', and a Green Paper on stability or euro bonds). EAPN is making a separate assessment of the Joint Employment Report.

<sup>2</sup> [EAPN \(Oct 2011\) Deliver Inclusive Growth – Put the heart back in Europe: EAPN analysis of the 2011 NRPs.](#)

<sup>3</sup> [EAPN \(9 Nov 2011\) Letter to President Barroso: Adoption of the Annual Growth Survey.](#)

<sup>4</sup> EAPN (5 Dec 2011) [Letter to EU Prime Ministers: EU in jeopardy.](#)

- The recognition of the important role of social protection and the need to prevent austerity measures impacting negatively and support to active inclusion.
- The attention to key role of public services, however with insufficient concrete measures.

**However, EAPN wishes to express strong concerns about the lack of overall policy coherence of the proposals and visibility of Europe 2020, particularly with regard to delivering effective policies to deliver on the poverty and other social targets, over-shadowed by the dominance of EU-backed fiscal austerity packages and the new Economic Governance deals– including the Fiscal Compact.**

### **Key Messages**

- 1) **Europe 2020 continues to be invisible in the AGS** overshadowed by economic governance and the economic semester.
- 2) **The new “social” priority 4 is welcomed but undermined** by EU’s overarching austerity focus and priorities of economic governance.
- 3) **Growth-friendly fiscal consolidation proposals fall short of re-affirming inclusive growth** and backing progressive taxation to reduce growing inequality gap.
- 4) **Tackling unemployment needs concrete measures to promote quality work and Active Inclusion, not hardening conditionality.**
- 5) **Social consequences of crisis cannot be reduced to unemployment nor tackled without stronger safeguards to social protection, integrated Active Inclusion approaches** (including ensure adequate income support) and a **social investment package.**
- 6) **Failure to mention governance and participation undermines credibility** of EU and ownership of Europe 2020, reinforcing the democratic deficit
- 7) **Structural Funds fall short of their potential to contribute to the achievement of the poverty reduction target.** Their contribution is further undermined by insufficient mainstreaming of social inclusion in all Structural Funds and the introduction of macro-economic conditionalities.

## **1) Europe 2020 continues to be invisible in the AGS overshadowed by economic governance, macro-economic priorities and the economic semester**

In the AGS Communication, Europe 2020 only gets one brief mention linked to the National Reform Programmes (p.2) with no mention of the objectives of smart, sustainable or inclusive growth, the Integrated Guidelines, **nor the targets**. This echoes the conclusions of the EAPN NRP report<sup>5</sup>, where most EAPN networks highlighted that inclusive growth was not visible as a core priority in most country's NRPs. This clearly undermines the assertion of Europe 2020 as the overarching strategy driving European Policy and the credibility of the Europe 2020 strategy. Although Europe 2020 is more consistently mentioned in the annexes (Progress Report on Europe 2020 and the Joint Employment Report), this does not provide convincing evidence of policy coherence, when the overarching goals and conclusions on the Europe 2020 strategy are not seen to be the main drivers. For many EAPN members, (AT, BE, BG, IT, MT, PT), this failure gives evidence of the EU's continuing support for a discredited neo-liberal economic model.

### **What is needed**

- Open up the debate and search for a more credible, social and sustainable development model and a recovery package based on sustainable recovery rather than only austerity.
- Re-confirm Europe 2020 explicitly as the overarching driver in all EU communications, emphasizing the commitment to an integrated, balanced Europe 2020 strategy, (social, economic and environmental objectives).
- Give priority to establishing credible national and EU targets, requiring Member States to set out detailed, integrated strategies to deliver them. In the case of the poverty target, agree a % reduction for all Member States in all 3 agreed indicators, in order to provide a comparable base.
- Mainstream the objectives of smart, inclusive and sustainable growth in all areas, and provide explicit country-specific recommendations on poverty and other social targets to ensure consistent implementation.

## **2) New priority to tackling unemployment and social consequences is welcomed but contradicted by overarching austerity Economic Governance package**

EAPN welcomes the priority given to tackling unemployment and the recognition of the urgent need to tackle the growing social consequences of the crisis highlighting the recognition of:

- *“Clear signs of increases in the number of people at risk of income poverty...”*,
- the vulnerability of those with limited link to the labour market exposed to changes affecting the calculation and eligibility of their source of income,
- recognizing the risks of the growing share of long-term unemployed *“falling permanently outside the labour force.”*

---

<sup>5</sup> [EAPN \(October 2011\) Deliver Inclusive Growth – Put the heart back in Europe – EAPN analysis of the 2011 National Reform Programmes.](#)

- The need to protect the vulnerable and excluded, in particular by improving the effectiveness of social protection systems, implementing active inclusion strategies and ensuring affordable access to services.

However, it is difficult to see how these concerns can be implemented through a coherent policy approach, when the Commission and the Council are pressing governments to sign up to the new fiscal compact, agreeing to reduce deficits, primarily through cuts in benefits, public services, jobs and wages as part of increasingly severe austerity packages<sup>6</sup>. In the EAPN NRP report, most networks highlighted that the proposed macro-economic policies proposed in the NRPs not only failed to reduce poverty, but were likely to contribute to an increase in poverty, mainly through austerity cuts. (BG, CZ, DK, IE, IT, SK, PT, PL).

### What is needed

- Give priority to socially-friendly deficit and debt reduction, prioritizing the need to limit the social consequences of damaging austerity measures, and to maintain and improve social protection and adequate minimum income levels.
- Ensure consistency with new priorities by requiring MS to carry out ex-ante and post social impact assessment of proposed austerity measures, before their implementation and monitor the implementation at EU level.
- Promote personalized pathways to employment, taking into account people's complex needs and adequately support them into quality, sustainable jobs.

### 3) Growth-friendly fiscal consolidation proposals fall short of re-affirming inclusive growth or backing progressive taxation to reduce growing inequality gap

In the EAPN NRP report, members overwhelmingly highlighted the failure of the NRPs macro-economic proposals to promote greater equality, with most EAPN members criticizing the failure to prioritize a fairer sharing of the deficit reduction through increasing revenue by fairer taxation and fairer distribution in wage and income levels to reduce the inequality gap in income and wealth (AT, BE, BG, CZ, DK, EE, IE, IT, LU, NL, PL, PT, ES, SK, SE, UK). So, the recognition in the AGS that fiscal consolidation can be carried out in different ways is welcomed, recognizing the distributional impact that can compound social difficulties. Welcome is also given to the emphasis on fairer, as well as more effective and efficient taxation, with the need to pay attention to the impact and needs of the most excluded in any tax shifts. Important backing is also given to tackling tax evasion, encouraging support for the move from undeclared work, as well as for improving the functioning of Public Employment Services and of ALMPS, new Carbon emission taxation and support to a European Financial Transaction Tax. However, the measures proposed **do not go far enough**.

**Inclusive-growth friendly and fairer taxation should penalize growth that is socially damaging as well as environmentally harmful and actively contribute to reducing growing income and wealth inequalities<sup>7</sup>.** EAPN members in the EAPN 2011 NRP report strongly highlighted the dangers of increases in taxes on consumption like VAT which are highly regressive in their proportionately high

<sup>6</sup> EAPN (Jan 2012) Report of EAPN Crisis Conference – September 2011.

<sup>7</sup> EC Dec 2011: Conference on Inequalities and the Welfare State.

impact on the poor (PL), particularly when they target food and essential services (P.17). The continuation of flat taxes in some of the poorest Member States was also strongly criticized, shifting the costs of public expenditure disproportionately onto the poor and away from the wealthy. Particular concern was raised where such unfair and regressive tax systems receive explicit support from the IMF and European Commission as pre-conditions of the bail out deals (LV, BG, HU). More concrete actions are also needed to implement an EU framework on tax evasion and avoidance and on Financial Transactions Tax at EU and global level.

### What is needed

- Invest in inclusive-growth friendly expenditure – emphasizing the positive role of social protection and minimum income systems, quality employment and other personalized support services.
- Promote fairer growth-friendly taxation policies which can actively reduce inequalities by actively promoting progressive taxation systems focused on income, property and capital taxation, outlaw flat income tax rates, and regressive consumer-based taxation, ensure policy coherence in the bail-out deals and monitor provisions in the NRPs with country-specific recommendations.
- Counter tax evasion and avoidance through increased systems of EU vigilance and enforcement.
- Back the immediate implementation of a financial transactions tax across the EU and promote a global tax.

## 4) Tackling unemployment needs concrete measures to promote quality job-creation and active inclusion for all groups, not hardening conditionality

EAPN 2011 NRP report highlighted that for most members, job creation remained a marginal element in most NRPs, with a very low average review score in the EAPN scoreboard of 2.77 out of 10. Several members insisted on the need to place more emphasis on the demand side, investing in decent, sustainable employment, especially accessible to excluded groups and in disadvantaged areas, with a better use of EU funds (CZ, IE, SE), with others highlighting the need for support to green economy (IT), support for young people, including in rural areas (IT, NL). EAPN therefore welcomes the priority given to creating a job-rich recovery, supporting the employment especially of young people, and of “protecting the vulnerable”. However, the measures offered do not offer a comprehensive package to promote quality employment for **all** currently excluded groups, particularly those highlighted in the evaluations of the current Social OMC. They also lack concrete measures to deliver on these objectives, and tend to prioritise supply-side measures focused on reducing benefits or eligibility criteria in order to drive people into low-quality jobs. EAPN members in the NRP report cited key examples (DK, NL, BE, UK, PT) as in Denmark where the coverage period has been reduced, or the UK where the new welfare reform is transferring people claiming disability benefits onto Employment support allowance, through new medical tests designed to ensure that they are seen as ‘fit to work’, although a high proportion are now being overturned on appeal, and the UK Government has been forced to take on substantial numbers of new staff to deal with the appeal. The measures also fail to offer a **social investment approach** guaranteed to prevent as well as reduce poverty and social exclusion, and to stimulate a sustainable and inclusive recovery.

**Some key areas for improvements** include:

- Although job-creation is highlighted, no specific demand-side initiatives are proposed for creating these new jobs. The proposals rely more on flexibilisation of the labour market, reduction in wages, mobility and hardening activation to drive supply side solutions which put pressure on the excluded, without creating new jobs. Neither are other demand-side elements considered: support to social economy, Corporate Social Responsibility, investing in human resources and combating discrimination. (P.34 – NRP report).
- Whilst the proposals on youth unemployment are in general positive, with particular reference to support to vocational training, work experience, quality apprenticeships, the emphasis on flexibilising labour contracts for young people, is likely to lead to increased exploitation of poorer, younger workers, whilst the proposals to increase tuition fees at university is calculated to increase segregation and discrimination towards low income families and vulnerable youth.
- No specific proposals are given to tackle unemployment for those who are furthest from the labour market, beyond youth: older people, ethnic minorities including Roma, single parents, migrants, people with disabilities, long-term unemployed, the low skilled and others... Whilst Active Inclusion is highlighted as a priority for protecting the vulnerable, the focus on only 2 of the 3 pillars (inclusive labour market and access to services, without adequate income support – minimum income), is likely to undermine attempts to embed an integrated approach starting from the provision of a rights' based social floor.

#### **What is needed**

- Invest in quality job creation, through public investment in green and social jobs and support to social economy, and the development of Quality Work principles/guidelines that ensure living wages, jobs security, work-life balance and employment rights in all sectors.
- Reinforce the proposal made in the Joint Employment report to support youth unemployment through a youth guarantee for a quality, sustainable job or training; personalized, integrated support within school and the community.
- Carry out an analysis of all key groups facing unemployment and develop clear strategies for inclusion together with direct beneficiaries and their organisations.
- Give priority to a 3 pillared approach to Active Inclusion for all groups, establish a clear road map for implementation, indicators and process for monitoring progress and provide Structural Fund support for integrated, personalized approaches to Active Inclusion for all groups facing exclusion in the OP.

### **5) Social consequences of crisis cannot be reduced to unemployment or tackled without safeguarding social protection and concrete measures for social investment in public services**

Priority 5 (p.12) echoes closely EAPN's NRP report's concerns recognizing that the crisis has disproportionately hit the vulnerable and created new categories of people at risk of poverty and social exclusion, including the increased risk of exclusion to those on benefits due to changes in the calculation and the eligibility of benefits. This section of the AGS calls for MS to *"prioritize improving the effectiveness of social protection, making sure that it plays its role as an automatic stabilizer, avoiding precipitate withdrawals of past extensions of coverage and eligibility until job growth resume."*

It also underlines the need to ensure access to key public services – including labour market integration, financial inclusion, affordable housing and electricity supply.

However, the report does not reflect on the fact that the crisis did not create poverty, for the 84 million at risk of poverty before the crisis, nor that unemployment is not the only impact. It also falls short of red-lining social protection and minimum income systems and concrete advice to prioritize socially-friendly fiscal consolidation, ensure affordable access to all key public services, including through improvements in the EU framework and a backing to a social investment strategy. EAPN networks highlighted this to be a key priority, and currently absent in the NRPs (AT, BE, BG, DK, EE, PL, PT).

### **What is needed**

- Give specific advice for socially-friendly fiscal consolidation red-lining social protection and minimum income schemes and encouraging increased social investment in quality jobs, social protection and public services, to provide a rights-based social floor and springboard for a sustainable economy.
- Implement the EP proposal to progress on an EU framework for an adequate minimum income, as a key instrument to ensure an inclusive, sustainable recovery.
- Progress towards a Public Service Guarantee – ensuring access for all to quality, affordable public services, as part of an EU framework.
- Implement the requirement to reduce Energy Poverty as part of National Energy Action Plans in the Energy Directive and monitor the impact of privatization/liberalization on energy poverty.
- Prioritize investment in social housing and monitor the implementation of the right to affordable housing.

## **6) Failure to mention governance and participation undermines EU credibility and ownership of Europe 2020, reinforcing the democratic deficit**

In the EAPN NRP Report, a strong message was sent about the need to embed meaningful stakeholder participation, at all stages and areas of the NRP (P.65 -71). Most members highlighted the limited low-quality involvement of the 2011 NRP with an average score of 2.38 out of 10 from members assessing the degree of effective stakeholder engagement in the NRP. Although 13 national EAPN networks received an invitation to engage (AT, BE, BG, DK, EE, FR, DE, IE, LU, NL, PT, ES, SE), most highlighted the low-level of participation limited to receiving information rather than active consultation, participation or partnership process. Only Ireland and Spain saw even a small impact from their input. EAPN members noted this as a significant step back from the stakeholder engagement developed at national level through the Social OMC (National Action Plans for Inclusion/National Strategies for social protection and inclusion). (AT, BE, BE, CZ, FR, DE, NL, PL, PT, SK and UK).

Given the importance of Recital 16 in the Integrated Guidelines and the Guidance of the Commission in 2011 on participation, it is even more the surprising that no mention is made of participation of stakeholders or multilevel governance (neither in the main AGS Communication, nor in the Progress or Employment Report). At a time when the ordinary citizen's confidence in the EU is at an all-time low with deepening skepticism concerning the negative role of the EU in driving fiscal austerity measures rather than defending social rights – a positive drive to activate

meaningful dialogue at national level on the development and delivery of the NRP would seem crucial to its success.

### **What is needed**

- Give priority/guidance to promoting meaningful structured dialogue and stakeholder engagement at all stages (development, delivery and evaluation) and in all areas (macro, micro, employment and social) of the 2012 NRP as well as in the National Social Reports that underpin the NRP and monitor implementation, with potential for recommendations.
- Develop obligatory guidelines on participation together with stakeholders, including recommendations on type of stakeholders – including NGOs and people experiencing poverty, methods and impact.
- Provide resources to develop national anti-poverty platforms and broader forums for structured dialogue and provide finance for building awareness of effective participation methods through PROGRESS.

## **7) Structural Funds fall short of their potential to contribute to achievement of the poverty reduction target**

The key role of Structural Funds is clearly mentioned in the delivery of the Europe 2020 headline targets, but mainly as a way to boost growth-enhancing priorities (competitiveness, transport, energy...). The section of the AGS indeed clearly indicates that *“there is still considerable room for using or re-programming available funds to boost growth and competitiveness”*. There are very scant references on how to use EU Funds for achieving the poverty reduction target. So, if the AGS aims at *“maximizing the potential of Structural Funds”*, it seems to be at the expense of social inclusion considerations. Such an assessment has been heavily stressed by EAPN members in the EAPN NRP Report in which members almost unanimously underlined the absence or insufficient mention of Structural Funds in the NRPs as a way to effectively deliver on social inclusion. As far as the social targets of Europe 2020 are concerned, the use of Structural Funds is, according to EAPN Members, unequally shared between the poverty, education and employment targets with a focus on the two last ones. This is corroborated by the AGS whose sole references on social aspects are about apprenticeships for young people and creation of local jobs.

The AGS also mentions the lack of administrative capacity as the main cause for the insufficient use of Structural Funds to back the Europe 2020 headline targets, leaving aside other root causes like the financial obstacles that small NGOs are still facing when accessing Structural Funds.

This under-utilization of Structural Funds for delivering on the poverty reduction target risks getting worse given the Commission’s proposal (Proposal for a Regulation on strengthening of economic and budgetary surveillance) to introduce macro-economic conditionality prior to the disbursement of Structural Funds. Such an introduction risks penalizing vulnerable people facing poverty and social exclusion, (as beneficiaries of projects funded through Structural Funds).

An integrated strategic approach to reduce poverty and social exclusion and to embed a more social-friendly approach through all Structural Funds is strongly needed – embedding an integrated Active Inclusion strategy and ensuring more accessible financing and access for small NGOs.

**What is needed**

- Establish clear Commission guidelines on how Structural Funds should deliver on the poverty reduction target through integrated and socially inclusive approaches, (particularly through integrated Active Inclusion) for ESF, ERDF and other Cohesion funds, making them accessible for small grass-roots NGOs (with tailor-made global grant and technical assistance schemes).
- Introduce a social inclusion mainstreaming clause and an effective evaluation system designed to assess the extent to which Structural Funds will have delivered on the poverty target.
- Reject the proposal to introduce a macro-economic conditionality mechanism but favour a social conditionality and incentive system.

## INFORMATION AND CONTACT

For more information on this publication, contact

Sian Jones – EAPN Policy Coordinator

[sian.jones@eapn.eu](mailto:sian.jones@eapn.eu) – 0032 (2) 226 58 59

See EAPN publications and activities on [www.eapn.eu](http://www.eapn.eu)

**The European Anti-Poverty Network (EAPN) is an independent network of non-governmental organisations (NGOs) and groups involved in the fight against poverty and social exclusion in the Member States of the European Union, established in 1990.**



EUROPEAN ANTI-POVERTY NETWORK. Reproduction permitted, provided that appropriate reference is made to the source. January 2012.



EAPN is supported by the Directorate – General for Employment, Social Affairs and Equal Opportunities of the European Commission. Its funding is provided for under the European Community Programme for Employment and Social Solidarity PROGRESS (2007 – 2013).

For more information:

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

The information contained in this publication does not necessarily reflect the position of the European Commission.