

EAPN Response to the Annual Growth Survey Package 2014 'Business as usual fails the fight against poverty'

KEY RECOMMENDATIONS

- 1. Put Europe 2020 and achievements of targets at heart of the AGS.**
- 2. Develop an integrated strategy to reduce poverty and social exclusion that tackles discrimination.**
- 3. Shift from austerity to social investment/social protection, as prerequisites for inclusive growth.**
- 4. Make reducing inequality a new priority including inclusive tax policy.**
- 5. Implement integrated Active Inclusion to promote inclusion, ensuring adequacy of minimum income and social protection.**
- 6. Invest in quality work and road map to fight in-work poverty.**
- 7. Promote youth inclusion beyond youth employment.**
- 8. Prioritize affordable access to services, including unmet health needs.**
- 9. Increase democratic legitimacy with guidelines for meaningful stakeholder engagement.**
- 10. Implement social inclusion priorities through Structural Funds with NGO partners.**

Introduction

On the 13th of November the European Commission adopted the [2014 Annual Growth Survey \(AGS\) package](#). The AGS package this year includes the Draft Joint Employment Report (JER) and a Commission Staff Working Document (SWD) overviewing progress implementing the Country-Specific Recommendations by Member State, but no explicit Progress Report on Europe 2020 goals. The overarching message is that 'Europe has reached a turning point in the crisis', thanks to EU strategy on closer economic coordination, focused on fiscal consolidation and debt reduction. The Commission therefore proposes maintaining the current approach, with the same 5 priorities as in 2012 and 2013¹, including in the social area, with a stronger focus on competitiveness, growth and jobs. EAPN made input to the AGS, with a [letter to President Barroso](#) highlighting EAPN members' key findings from their engagement in the 2013 Semester cycle². We then responded to the launch of the AGS on the 14th November, with an [initial Press Release](#). We welcomed the proposals in the AGS to strengthen stakeholder involvement, but highlighted our concern about the business as usual approach, with few signs of a move away from counter-productive austerity priorities which are impacting negatively on poverty, exclusion and inequality. We highlighted the need to re-focus on Europe 2020 and the targets, and to back meaningful stakeholder dialogue to ensure effective policies and reinforced democratic legitimacy. In this paper, EAPN sets out these key messages in more detail.

EAPN Welcomes

EAPN recognizes that an increased effort has been made in the AGS 2014 to highlight the worsening social impact, despite the AGS overriding message of 'progress' made on debt and growth, and the recognition that social impact is undermining objectives and support for the EU strategy.

We particularly welcome:

- **The recognition that the crisis has 'created hardship across Europe'** and that the 'social impact of the crisis is still being heavily felt', while particularly pointing to 'countries implementing adjustment programmes.'
- **The attention drawn to the increase in poverty to 25%**, high unemployment levels, and impact on inequality, particularly in Southern and Eastern Member States, and the growing divergence in employment and social outcomes.
- **The awareness that 'fairness considerations and clarity about the goals'** will be essential to secure the lasting success, efficiency and public acceptability.
- **The confirmation that the new European Structural and Investment Funds (ESIF) will be used to support the goals of the Europe 2020 strategy, as well as the CSRs.**

¹ Five AGS priorities (2012, 2013 and 2014): 1) Pursuing differentiated, growth-friendly fiscal consolidation, 2) Restoring bank 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.

² [EAPN \(Sept 2013\): Widening the Gap: EAPN 2013 NRP Assessment.](#)

- **The recognition of the need for tax reform, broadening the tax base, tackling fraud and tax evasion, and shifting tax burden away from low paid workers**, although lacking an overall, inclusive progressive approach.
- **The demand for ‘greater ownership at national level’**, with ‘greater involvement of national parliaments, social partners and civil society’, albeit to ‘secure public understanding and acceptance of the necessary reforms’.
- **The support given to increasing participation in work**, boosting ‘sources of jobs, maintaining employability, including the long-term unemployed ‘including through active support and training of the unemployed, making sure that social safety nets fully play their role’, implementing **Youth Guarantee Plans**.
- **The emphasis placed on reducing the further segmentation of the labour market**, which can contribute to insecure employment, particularly for young people, but also cements the pay gaps **between women and men**, although lacking a focus on increasing worker’s rights.
- **The call to develop integrated Active Inclusion Strategies**, ‘encompassing efficient and adequate income support, activation measures, as well as measures to tackle poverty, including child poverty, and broad access to affordable and high quality services, such as social and health services, childcare, housing and energy supply’.
- **The call to protect longer term investment in education, among others, and to cater for the needs of the most vulnerable in our societies.**
- **The inclusion of the social scoreboard, and the new social indicators in the Alert mechanism.**

Missed opportunities

However, these positive messages are **largely outweighed by the ‘business as usual’ approach with little re-assessment of the current counter-productive austerity approach and its negative social and economic impact**. The low profile given to Europe 2020 and the targets, with no visible appraisal of the progress on the targets in the main Communication, confirms the message of the Annual Growth Survey and the European Semester as a purely macroeconomic tool. When poverty has increased by 8.7 million, with austerity recognized as a major contributor to these increases³, an explicit re-assessment of the current economic approach, re-shifting priorities away from austerity to ensure progress on the poverty target and inclusive growth would have been expected, as well as urgent action to prevent growing racism threatening the social cohesion of the EU.

A missing social investment approach would transparently assess the real social, employment and economic cost of austerity policies, drawing on the wide body of independent research, including IMF and Professor J. Stiglitz⁴, to mark a shift to a more progressive social investment approach, actively investing in quality jobs, social services and adequate social protection, in line with the

³ ‘Through ‘increased conditionality and cuts in benefits’ reducing the ‘stabilising effect of social spending on household incomes’ - JER, Guideline 10, p.26.

⁴ “Austerity leads the economy to perform poorly. It leads to more unemployment, lower wages and more in inequality. There is no instance of a large economy getting to growth through austerity’. Professor Joseph Stiglitz, Nobel Laureate (from Oxfam Briefing Paper: A cautionary tale – the true cost of austerity and inequality in Europe - 2013)

Commission's own Social Investment Package⁵. This should be seen as a pre-requisite for an inclusive and sustainable recovery, which could help build consensus and support for a social EU.

Although tax reform is given a new priority, with welcome support to broadening the tax base, tackling tax evasion and avoidance and shifting the tax burden from low paid workers, it **misses the opportunity to use tax policy as a key redistributive instrument** to fund a progressive growth strategy that builds an inclusive and more equal society.

Although the Joint Employment Report takes Europe 2020 more clearly as its starting point, and includes the crucial scoreboard of key employment and social indicators⁶, highlighting a burgeoning social and employment gap between the North, the South, and the East, (higher unemployment, youth unemployment/NEETs, lower household disposable income, higher risk of poverty and inequality), **neither the causes nor the solutions to growing disparities are discussed**, nor recommendations taken up in the main AGS. Moreover, the reporting on progress in homeless policies is partial (covering only a handful of countries) and in some cases inaccurate.⁷

Job-rich growth and participation in the labour market is backed. However, without public investment in job creation, support for quality jobs and strategies to tackle rising in-work poverty, it represents a missed opportunity to reduce poverty, strengthen disposable incomes, close income distribution gaps and foster sustainable growth. Moreover, the AGS continues to identify 'rigid labour markets' as an obstacle to competitiveness, thus de facto calling for their further liberalisation, as well as tackling segmentation by undermining workers' rights. Despite being clearly upheld in Guidelines 7 and 8, quality of work is not mentioned, nor assessed by the JER.

Comprehensive Active Inclusion and the stabilising role of social protection is mentioned, but not listed as a priority, nor mainstreamed into the overall employment approach. It also lacks a strong message on the crucial role of guaranteeing adequate minimum incomes, at a time when unemployment benefits and social assistance are being severely attacked, making more visible the Commission's own important work on developing common methodologies for establishing adequacy through reference budgets⁸. Moreover, one-stop-shops seen rather as a tool to "strengthen the link between activation and social assistance", which is a very worrying rhetoric.

A welcome reference is made to the use of ESF in the fight against youth unemployment through the Youth Guarantee Implementation Plans. However, the **role given to ESIF in delivering on the poverty reduction target, for all at-risk groups in a more integrated and coordinated manner** is needed if the European Commission is to ensure that Managing Authorities meet the 20% ESF earmarked on poverty reduction/ social inclusion and NGOs enabled to fully play their role.

Whilst stakeholder engagement is given a welcome new priority, the vision is instrumentalized, seeing involvement of civil society as a mere tool to convince the general public of the wisdom of the economic governance and surveillance recipes on offer, rather than a genuine step towards dialogue, collaboration and partnership.

⁵ EC Communication (February 2013) Social Investment Package.

⁶ Social Scoreboard of indicators from the EC COM: Social Dimension of the EMU.

⁷ See FEANTSA reaction to annual growth survey <http://www.feantsa.org/spip.php?article615&lang=en>

⁸ EC (Nov 2013): Social Investment Package Road Map.

10 Key Recommendations

1. Put Europe 2020 and achievement of targets at the heart of AGS

Europe 2020 cannot remain an add-on if the European Semester, with the AGS as the key driver, is to achieve credibility and gain public support. The social objectives and targets of Europe 2020 must be explicitly mainstreamed into the structure and priorities of the AGS, with a core objective to review progress on the targets and propose effective solutions⁹. The AGS should be re-named and re-focused to capture more effectively this shared economic and social mission with Europe 2020 at the heart. A re-organization of the structure of the AGS to reflect the Europe 2020 goals and its social ambitions is also essential, echoed in the NRPs guidance and in the criteria for identifying CSRs, which should be transparent and publicly available.

2. Develop an integrated strategy to reduce poverty/ social exclusion that tackles discrimination.

Each Europe 2020 target must have a clear strategy to achieve it. The poverty target is failing because there is no effective multidimensional strategy that recognizes structural causes and solutions to poverty and tackles discrimination. Currently, the only solution proposed is employment, with pressures to lower wages and undermine quality jobs, an increasingly discriminatory labour market that creams the easiest to place, and a dismantling of integrated social protection support for those who cannot work or cannot find decent work. Evidence highlights clearly the role of social rights and social protection in keeping people above the poverty level, and providing a foundation for accessing work (See ESDE 2014¹⁰), as well as an automatic stabiliser for the economy. Targeted thematic strategies for specific groups based on the SIP proposals (eg Investing in Children, Roma Inclusion strategies, Tackling Homelessness etc) should be nested within this overarching frame. However, more must be done to tackle discrimination. Growing racism against ethnic minorities and migrants is having a severe social and economic impact, so pro-active action to outlaw discrimination needs to be part of any integrated approach.

3. Shift from austerity to social investment/social protection, pre-requisites for inclusive growth

A move away from austerity is urgent. The Commission should recognize more clearly the counter-productiveness of the current austerity priority and carry out a more explicit social and economic impact assessment of its own policies as well as national approaches. It needs to recognize the positive impact of social investment and social protection, with reference to the SIP¹¹, and propose prioritizing spending to ensure that safety nets and integrated social protections systems are maintained and improved, combined with approaches which can enable and accompany people in their pathways to work and inclusion if an inclusive and sustainable recovery is to be tenable. The new social scoreboard¹² should be used, together with effective social impact assessment, to require policy change which will contribute to social objectives and reduce the social and macroeconomic imbalances. The AGS could embed social, not just economic, conditionality, red-lining social protection and enabling social investment, treating them as an investment not a cost and requiring restrictions to austerity. More explicit roadmaps for implementation of key elements of the SIP (eg Investing in Children, Roma

⁹ EAPN Sept 2013: Widening the Gap: EAPN 2013 NRP assessment.

¹⁰ EC (Jan 2014) Employment and Social Development Review 2014

¹¹ EC (2013) Social Investment Package.

¹² Social Scoreboard of indicators from the EC COM: Social Dimension of the EMU.

Inclusion Strategies and Tackling Homelessness), including through use of Structural Funds, should also be given priority.

4. Make reducing inequality a new priority including inclusive tax policy

As highlighted in the new social scoreboard, inequality is on the increase, particularly in the Southern and Eastern Member States, adding to the growing divergence between rich and poor, as well as undermining economic recovery¹³. Inequality must become a central, new priority (as recognized by the World Economic Forum in Davos and by the OECD). The solutions, however, cannot focus just on education as the base for social mobility, but need to ensure a fairer distribution and redistribution of resources: starting with reducing the wage gap, progressing towards a European framework to guarantee adequate minimum wages, and linked to adequate income support and progressive tax policy. Whilst the AGS focuses on growth-friendly taxation, priority should be given to inclusive growth-friendly taxation: ie expansion in progressive income taxes, where the tax burden falls upon those that can most afford it, enabling the poor to keep a greater share of their income whilst the wealthy and highly profitable businesses support redistribution and better play their part in financing public and social policies. This means increasing corporation, property and wealth taxes, implementing a Financial Transaction Tax, as well as ensuring that shift from labour to environmental taxes, do not reduce public funds to finance social protection systems, nor prejudice low-income and vulnerable users who are less able to control or decide on their sources of energy/heating etc. Effective action on tax evasion and avoidance could bring 1 trillion euros back to Government coffers¹⁴, the equivalent of the European Budget for seven years – this should include increased transparency on multinational companies' actions, new international tax rules, as endorsed by G20 and OECD, and sanctions against countries with tax havens.

5. Implement integrated Active Inclusion to promote inclusion, ensuring adequacy of minimum income and social protection.

Integrated Active Inclusion needs to be a clearer priority for implementation, recognizing the effectiveness of the integrated approach, rather than activation alone. Better performing social protection means giving equal focus to 'adequacy of minimum income' and ensuring affordable access to key *support* services, as well as essential public services like energy and housing, to take people out of poverty. Only focussing on hardening work-related conditionality will just increase hardship without necessarily ensuring access to decent jobs for those who can work. Clearer reference should be made to the importance of developing common methodologies to establish and monitor adequacy of minimum income (for example through reference budgets), combined with the use of the 60% at risk of poverty threshold as key benchmark and indicator, with clear requirements on Member States to ensure adequacy and prioritize action to increase take up. Stronger advice should be given on the use of Structural Funds, and in particular ESF, to support the implementation of integrated active inclusion approaches, as key thematic ex-ante conditionality requirement.

6. Invest in Quality Work and Road Map to fight In-Work Poverty

The devastating increases in unemployment and rising in-work poverty must be halted. Job creation is crucial, but requires public investment and procurement, as well as incentivising

¹³ EC (Nov 2013),

¹⁴ Oxfam (2013): A cautionary tale – the true cost of austerity and inequality in the Europe.

private investment. It also must be built on principles of quality work, which ensure decent living wages, effective employment rights and conditions, including supporting work-life balance¹⁵. Growing in-work poverty is a major cause of increasing poverty levels, particularly in families with children, so efforts to reduce wage levels, or index-linking are only likely to increase it. Establishing common principles on quality work, clear guidance for public investment in quality jobs, as well as proposing a road map to fight in-work poverty is vital, mainstreaming requirements into the Guidance notes for the NRP and the CSRs.

7. Promote youth inclusion beyond youth employment

Whilst the Youth Guarantee and Youth Employment Initiatives are important, they need to be effectively implemented and monitored, with quality principles in place, and evaluation from the young people involved, if it is to make a difference. The reality of increasing numbers of young people in poverty and without adequate minimum income and social protection support must also be addressed. An approach that fosters youth inclusion, tackling barriers in access to rights, resources and services beyond the labour market would reinforce empowerment and participation, and support to quality jobs, as well as reduce youth poverty.

8. Prioritize affordable access to services, including unmet health needs

Whilst services are mentioned, as part of Active Inclusion, a clearer statement must be made to the key role of public services as an investment, guaranteeing equality of opportunity, and preventing poverty, exclusion and growing inequality. This means making a clearer policy priority to ensuring access to affordable services, regardless of employment status, in reference to implementation of Article 9. The rise in unmet need in access to health care is particularly worrying, and must be linked to requirements to guarantee universal and affordable health and social services to all.

9. Increase democratic legitimacy with Guidelines for Meaningful Stakeholder Engagement

Stakeholder involvement, as well as the engagement of Parliament, is crucial to ensure legitimacy, accountability and to deliver better policy solutions. The AGS should underline this role, and propose concrete steps towards building a stronger collaboration and partnership approach with stakeholders at national and EU level, whilst reinforcing the key role of the European and National Parliaments. A key step in this direction would be the development of Guidelines to ensure meaningful, structured and regular dialogue of social partners and civil society actors in the NRPs and Semester process. These should be developed together with stakeholders and Member States, and then form part of the Guidance Notes, bilateral discussions and indicators to review performance within the NRP, with the potential of CSRs where lack of stakeholder engagement in a specific Member State is endangering the legitimacy and effectiveness of the Semester process. The new European Semester Officers (ESOs) should be given a key role to promote engagement in the Semester, working together with a nominated Mr/Ms Europe 2020 within Member States. People experiencing poverty of all ages must be explicitly recognized as vital stakeholders at all stages of the process.

10. Implementing social inclusion priorities through Structural Funds in partnership with NGOs

Whilst the new European Structural and Investment Funds (ESIF) are recognized as crucial in 'supporting the goals of Europe 2020', more explicit reference and monitoring must be made to

¹⁵ [EAPN, Working and Poor – Position paper on In-Work Poverty, November 2013.](#)

the specific assignment and targeting of national budgets and ESIF in delivering the 20% on ESF to support the poverty-reduction target. The pre-requisite of development of a poverty-reduction strategy, as required in the ex-ante conditionalities, should be emphasized, including supporting integrated Active Inclusion strategies, improved investment in social and health services, with support to implementing EU strategies for key target groups including children, homeless, and Roma. In the section on deepening the Semester, strong support should be given to enforcing the partnership principle and the newly adopted European Code of Conduct on partnership, ensuring that NGOs are able to take up their crucial role as partners - participating equally in the development, delivery and evaluation of Operational Programmes, as well as supported to access ESIF to deliver effective bottom-up and integrated social inclusion projects.

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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.



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