



REPORT

Social Cohesion at stake

The Social Impact of the Crisis and of the Recovery Package

Produced by the EAPN Social Inclusion working group

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Executive Summary

The consequences of the economic crisis in terms of unemployment are well known and documented. But the concrete social consequences of this crisis go far beyond the labour market. In reality, people in poverty are bearing the multiple consequences of the errors made by decision makers. They are caught between a further degradation of their situation, increasingly limited possibilities of accessing decent work and restricted social support. For workers, the price of holding onto a job has meant an unacceptable degradation of their pay and working conditions. Meanwhile, the actions of governments to reduce public deficits are likely to have a snow balling effect undermining social cohesion and social protection for years to come.

As no exhaustive assessment has been made of the full social impact of the crisis, EAPN has regularly been carrying out regular monitoring with its members, by means of internal surveys and meetings since November 2008. The present report brings together the expertise of people fighting poverty on the ground from 22 European countries and European Organisations in Membership of EAPN.

The crisis is having visible multifaceted consequences and is a catalyst for increasing social exclusion

The reality of unemployment is even worse than reported by official data, with large numbers of undeclared workers, self-employed and precarious workers losing their jobs without necessarily appearing in the statistics. The reality of people whose employment has been safeguarded is often hard, with reductions in wages as well as working time, often without compensation. Members also fear a deterioration of working conditions in the longer term: as the drive for companies to become more competitive undermines the quality of work.

Over a third of EAPN National Networks surveyed reported disturbing developments in relation to housing, with people losing their homes, or facing extreme difficulties in coping with growing housing costs. Homelessness is an increasing reality. Despite positive initiatives from some governments to increase or complement minimum income schemes, the so called 'safety nets' are failing to adequately support people hit by a lack of resources. The fact that some governments are hardening activation policies including benefits sanctions at a time of declining employment is seen as inexcusable. Purchasing power is also affected: as the prices of essential goods and services remain high or even continue to increase and public budget restrictions lead to restriction of services. Over-indebtedness is also on the rise, fuelled by inadequate incomes, rising prices and the lack of access to fair credit and banking systems. Both public and private pensions are under threat from the financial crisis and budget cuts.

A mixed assessment of recovery packages

Some governments have taken positive initiatives to cushion the social impact of the crisis, including measures against financial exclusion, raising benefits and pensions, allowing extra support for households in need, measures to prevent homelessness and develop access to housing...These decisions are welcomed, by EAPN members. But they fall far short of being sufficient.

The major concern is the management of public budgets. Saving the banks has meant enormous public bail-outs. Public budgets have been largely engaged to safeguard the demand side in the sectors most hit by the crisis, through public investment and tax credit. These extraordinary expenses, combined with reduced revenues from individual and enterprises tax returns and increasing unemployment and benefit claims, are provoking huge public deficits. EAPN do not believe this is the only option to manage the crisis, and raises alarm bells about the continuation of such an approach in government's planned exit strategies. In some countries, we already see dramatic cuts in social budgets, threats to social rights and new taxes that also affect the poor. The choice made to reduce employers' social contributions is seen as a serious long-term attack on social protection systems. At the extreme - Eastern European countries like Latvia, Hungary and Romania who have been forced to seek loans from the IMF and the EU, are having to comply with budgetary and structural constraints to reduce their deficits, leading to massive cuts to public administration and social services.

Members welcome the decisions taken to limit the extent of unemployment, and to support employment in the sectors the most hit. However, they regret that the priority have been given to developing flexibility over security and away from the poor who are already outside the labour market. They also miss political energy towards creating decent jobs, notably 'green jobs' and 'white' jobs' and using the potential of social economy. They worry about the fact that facilitating the employment of people furthest from the labour market seems to have lost focus. They denounce the reinforcement of some harsh activation policies in the current context.

The most vulnerable and discriminated against are affected the most. EAPN members describe the current reality in many member states of growing deprivation, rising social tensions, discrimination and xenophobia. A sense of hopelessness and fear grips many people trapped in poverty, losing confidence in the capacity of governments to challenge growing inequalities and their commitment to take the necessary steps to reduce poverty.

Some groups are particularly affected. In the labour market, precarious workers have been the first victims. Young and older workers' situations are also critical, and people who suffer from long term sickness and disability or have few qualifications run the risk of being permanently left outside. Migrant workers, including undocumented migrant workers, now face discrimination and find it harder to support their family abroad. The impact of crisis on women has also been under reported: they are hit strongly, particularly single mothers. Children are also badly affected.

NGOs face increasing and changing demands. Many NGOs face new waves of demands for basic support to meet the daily costs of living: food, clothes, shelter and money to pay the bills; also from different groups, e.g. from families rather than single homeless. They are increasingly being forced to provide multiple services addressing people's growing difficulties with debt and to compensate for the cuts in public services. **But their resources are not increasing, and in many cases shrinking. They wonder about their capacity to fulfil their role in the future, when** public subsidies are being reduced, there is a decline in private funding and structural funds fail to deliver on social inclusion.

Never again!

There is a clear need for a transparent debate on the causes of the crisis. Not only to deal with the social impact of the crisis and to implement policies likely to lead to a sustainable recovery, but to prevent such a crisis happening again. This debate needs to look at how widening inequalities have fuelled the demand for easy credit, and undermined the capacity of social protection systems to defend people's rights to an adequate income and provide services to support people into inclusion. Because of the key roles they play in managing the crisis on the ground social, NGOs have a specific expertise. They are actively trying to support the voice of people experiencing poverty and they want to be part of the policy making process. This should happen as well at national and as European level. Stakeholder debates on the full social impact of the crisis and long-term sustainable solutions that will defend social cohesion, rather than undermine it, are a fundamental pre-requisite.

Key Messages

- **The EU is facing the worst economic crisis since the 1930s.** The full social impact on poverty and social exclusion has not been adequately assessed. Without this analysis, the automatic shift from recovery packages to exit strategies runs the risk of increasing poverty, widening inequalities and undermining social cohesion for decades to come. Is this a risk the EU can afford to take?
- **The main focus of the recovery packages has been on stimulating growth and safeguarding employment,** but little account is being taken of the long-term implications of wage cuts, downward pressure on wages and the tendency to increase flexibility and precarious working conditions.
- People who are already excluded from the labour market are no longer a priority. Despite EU commitments, there is **little evidence of integrated Active Inclusion approaches** and mounting signs of inhumane treatment being meted out to people already in poverty, through increased conditionality and sanctions on benefits, when there are few jobs to go to.
- **The broader social impact has not been adequately assessed.** The crisis impacts on more than jobs, i.e. on homelessness and housing exclusion, on prices and income levels, indebtedness and financial exclusion. Neither is sufficient account being taken of who is being hit the hardest: the impact on women, children, younger and older people, migrants and ethnic minorities; the rising social tensions leading to worsening racism and xenophobia and a loss of confidence in the future.
- **Anti-poverty NGOs are the cutting edge of the crisis,** struggling to cope with increasing demands from people in poverty, whilst their financing is being undermined. NGOs provide more than services – their advocacy role is crucial to giving a voice to the most excluded. They have a specific expertise they want to share. They need to become partners to the debates and get support for sustainable financing.
- **The worst is still to come.** The decisions currently being made on how to recoup public deficits as part of Member States’ “Exit Strategies” risk seriously undermining social protection systems, through reductions in employers’ contributions and the threatened cuts to public services and benefit levels. NGO services are also under threat. Eastern European states like Latvia, Romania and Hungary are already subject to pressures to drastically reduce deficits through cuts in services, because of loan requirements without social conditionality, from the IMF and the European Commission.
- **It doesn’t have to be this way.** Lessons should be learnt from countries whose high level of social protection and universal services has protected people best, as well as from positive initiatives developed to address the multiple impact of the crisis. But ways of increasing public revenue must also be addressed. The causes of the crisis were rooted in growing inequalities which fuelled the credit boom, as well as the flaws in a largely unregulated financial sector. Tackling redistribution through more progressive taxation policy and reinforcing social protection is more likely to prevent and contain poverty, and heal social cohesion, preventing the emergence of a new crisis.

- **A new democratic solution.** More participative democracies would perhaps have listened earlier to the warnings of civil society stakeholders about the dangers of easy credit and growing inequalities. Recovery Plans and Exit Strategies are being arranged behind closed doors. We call on the EU and Member States to launch a full stakeholder debate and social summit on the causes and consequences of the crisis, with extra emergency short-term solutions as well as long-term proposals to defend the social cohesion of the EU.

Introduction

Crisis: the worst is still to come

Despite claims of an upturn, EAPN does not believe that the crisis is likely to be behind us soon.

Firstly, because the European Union's economy continues to falter with 3.5 million jobs expected to go in 2009.

Secondly because the consequences of the crisis so far have not been fully measured or analyzed. A number of consequences will come with a time-lag. The economic crisis is still spreading and temporary economic recovery measures won't cushion the impact for very long.

Thirdly, because long-term measures by governments to recoup public deficits by cutting expenditure on public services are only just starting to bite. The mismanagement of the social impact of the crisis could have a snow balling effect on social cohesion and social protection for years to come.

The consequences of the crisis in terms of unemployment are well known and widely documented. The EU's economic recovery plan¹ and packages have focused on the devastating impact of employment, highlighted through regular monthly bulletins², **but these make little attempt to discuss the broader social impact of the crisis**, for those outside the labour market, and the impact of public policies on the poor.

People who were already experiencing poverty are facing multiple consequences, and are caught between a further degradation of their situation, increasingly limited possibilities of accessing decent work and restricted social assistance. Though still in employment, workers are faced with an appalling degradation of their pay and working conditions.

Recovery plans implemented at EU and national levels focus on stimulating growth and maintaining employment. The EU Employment Summit held on 7th May 2009³ was emblematic of this general tendency, with little focus on how concretely the EU should implement decent and sustainable employment or ensuring that people already distant from the labour market could acquire jobs. Contributions highlighting some of the social aspect of the crisis such as the Social Protection Committee's⁴ Assessment have not generally been taken much into account in the global policy approach.

¹ A European Economic Recovery Plan (26.11.09) European Commission:
http://ec.europa.eu/commission_barroso/president/pdf/Comm_20081126.pdf

² See DG Employment webpage devoted to labour market monitoring:
<http://ec.europa.eu/social/main.jsp?catId=120&langId=en>

³ See webpage devoted to this summit:
<http://ec.europa.eu/social/main.jsp?catId=88&langId=en&eventId=173&furtherEvents=yes>

⁴ The "Updated joint assessment by Social Protection Committee and the European Commission of the social impact of the economic crisis and policy responses", published on 29th May 2009, available on the Europa website:
http://ec.europa.eu/employment_social/spsi/docs/social_protection_committee/council_10133_2009_en.pdf

NGOs working with people experiencing poverty are mobilized to tackle and raise awareness about the tremendous social impact of the crisis.

EAPN members quickly responded to the emerging threat of the crisis, by publishing their own assessment and input to the EU Recovery package in November, 2008.⁵ Since this date, EAPN has engaged in a regular monitoring of the social impact of the economic crisis by means of internal surveys and meetings.

The present report brings together the reality experienced by our members on the ground, the proposals they make, and how they fight to get their message through. It quotes specific written contributions from 22 national members as well as European organisations in membership of EAPN.

⁵ From *Financial Crisis to Recovery – where is the strategy to combat poverty?*, http://www.eapn.eu/images/docs/eapninputecrecovery2008_en.pdf

1. Major threats to social inclusion and social protection

Members were asked about the main characteristics of the Economic and Financial crisis in their country, about new developments in 2009, and the areas most impacted and how.

Most members highlight that Government action is dominated by a 'Growth and jobs' approach, closely following the recommendations of the EU economic recovery packages and plans. As a consequence, data regarding employment is extensive, but **other consequences of the crisis are not so well documented**. Some organisations, such as the Red Cross in Spain, have done their own survey in order to better reflect the social aspects of the situation. The Italian network, however, raises the difficulty of anti-poverty NGOs being able to handle the range of data published by a variety of sources; sometimes changing very rapidly, when the network is not equipped nor adequately resourced for doing their own research. However, most EAPN networks clearly bring into the light the dynamic of the mechanisms that are currently attacking the pillars on which existing social inclusion and social cohesion are based.

The consequences of the crisis are multifaceted. Clearly, looking at each of the dimensions which have been identified has key for the eradication of poverty and social exclusion in the framework of the EU Open Method of Coordination for Social Inclusion and Social Protection in 2006⁶, we see increasing difficulties, for people newly hit by the crisis as well as for people already experiencing poverty. Vulnerable groups on the labour market including precarious workers, young and older workers, people facing difficulties to access education and training, are hit the most. Women and children are also strongly affected (see chapter 3). The conclusion is clear - the crisis runs the risk of being a catalyst for increasing social exclusion.

⁶ (d) access for all to the resources, rights and services needed for participation in society, preventing and addressing exclusion, and fighting all forms of discrimination leading to exclusion;
(e) the active social inclusion of all, both by promoting participation in the labour market and by fighting poverty and exclusion;
(f) that social inclusion policies are well-coordinated and involve all levels of government and relevant actors, including people experiencing poverty, that they are efficient and effective and mainstreamed into all relevant public policies, including economic, budgetary, education.

See web page devoted to the SISP OMC common objectives:

http://ec.europa.eu/employment_social/spsi/common_objectives_en.htm

1.1. Unemployment/erosion of working conditions

Unemployment has been rising dramatically in all countries, with temporary contracts being first affected. Spanish members reported 19% of the active population currently unemployed, i.e. 4,3 million people unemployed. Between July 2008 and July 2009, 1 755 900 people became unemployed. In Ireland the unemployment rate in July 2009 was 12.2 %. In 2007, Hungary had one of the lowest employment rates in Europe (57,3%). In Latvia the unemployment rate reached 12.1%, the highest in 12 years. Even where some countries seem to be getting out of 'recession', the prospects regarding the labour market are still worrying. In the UK, where unemployment is continuing to rise, currently above 2.5 million people, it is expected to increase again in 2010 and 2011.

Short-time measures have curbed unemployment

In a large number of countries, a dramatic increase in unemployment has been partly avoided by a wide-spread development of part-time, and/or short-time employment and reduction of the number of hours worked. In Germany short-time working is generously supported, in Finland companies have put their employees on forced unpaid leave; in Belgium companies can close for 4-6 weeks with a reduction of the workers' salary, in Malta companies have introduced shorter working weeks for their employees. Comparable arrangements have been also developed in Belgium, The Netherlands, and France.

But not sufficient to guarantee sustainable employment

In some countries, reduced wages have been topped up by the social protection system, but the majority of people have to make ends meet with reduced wages. Although many EAPN networks recognize the necessity of these temporary measures to keep people in their jobs, they worry about the temporary nature of the measures, and the lack of guarantees for a return to better conditions/wages in the near future or for reductions in unemployment. In Germany for example, where temporary measures have been taken, more than 4 million jobless persons are expected in 2010, which will be about 1 extra million people without jobs.

Hidden unemployment

Obviously, the situation in terms of jobs destruction is likely to be worse than the statistical data describes. Several categories of workers who have lost their jobs do not appear in the official unemployment figures ie undeclared workers and the self employed. Meanwhile, people who are already distant from the labour market find it more difficult to find a job and are even more discouraged from searching for a job, or from looking for a full time job rather than a part time job.

“There is a number of reasons for believing that the total employment impact of the crisis is undercounted by registered unemployment figures (...):

- Agency workers seem to have been the first to lose their jobs as they are contracted to the agency and not the place where they work

- Some self-employed people who have lost their business or self-employed contracts will not appear in the unemployment statistics because they are not entitled to benefits and therefore may not register as unemployed, but run down their savings, before being forced to seek income or housing support

- It is not evident what is happening to informal workers including asylum seekers and those working while on benefit, who will not appear in unemployment statistics because they were working illegally

- Some unemployment has been disguised by an exodus of east Europeans especially Polish people (...).”

(EAPN UK)

“People experiencing poverty often lose black market jobs opportunities in construction work.”

(EAPN Czech Republic)

“Many self employed persons are losing their jobs, with about 3000 mostly small size companies closing every day. The crisis also impacts on informal economy which is supposed to represent about 30% of GDP”.

(EAPN Spain)

Long-term threat to quality work

Beside the simple reduction of hours and pay through part-unemployment, several members raise the fact that other working conditions are also affected negatively. The difficulties faced by enterprises, together with tightened budgets, are leading to downward pressure on wages. In some cases, cuts in wages are implemented without reducing working hours. In Ireland and Latvia a decrease of the minimum wage is publicly discussed. In the UK, the National Minimum Wage increased by only 1,2 % in October, the smallest increase in recent years. Members also report a degradation regarding the quality of working

“More work, in less time, and for a lower salary - Take it or leave it”.

(EAPN Spain)

“With the crisis, private companies have reduced personnel expenditure, either reducing working time or delaying the payment of wages. Unfortunately, these tendencies have also been observed in the informal sector, which represents an important part of poor families’ income”.

(EAPN Hungary).

“The Quality of jobs is affected in relation to milieu, stress and insecurity.”

(EAPN Denmark)

conditions, in enterprises trying to cut wages but also non-wage costs, to improve competitiveness. They feel that employers are able to impose more demanding and stressful working conditions because of the current context of abundance of available labour.

“The Quality of jobs is affected in relation to milieu, stress and insecurity.” (EAPN Denmark)

“The monthly minimum wage is now 180 LVL (250 EUR), which does not allow one to live a decent life. It is likely to be reduced to 160 LVL. Consequently, there is evidence of increases in undeclared income or so called “envelope salaries”, while there had been a significant improvement in eradicating this in previous years.”

(EAPN Latvia)

“There is an attempt to decrease the quality of job conditions, but the trade unions are fighting to keep them and indeed there is an increase of temporally/short-term jobs; there are some new, low paid and less secure jobs. For example new companies for postal distribution are offering piece work jobs where you get paid between 5 and 12 cents each piece. Someone can do approximately 350 pieces a week that means an estimated daily gross income of € 22. For an average of 7 working hours a day, this is equivalent to a gross wage of 3 € per hour! This is fare below the legal minimum wage.

(EAPN Netherlands)

1.2. Housing exclusion and homelessness

Difficulties related to housing are a constant feature of poverty. With the crisis, EAPN members report increasing number of people facing housing difficulties. At least a third of EAPN National networks who completed the survey reported worrying developments in this respect.

People cannot pay their mortgages anymore

A growing number of people are being faced with a reduction of their resources due to unemployment or reduced employment and cannot pay their mortgages anymore. An increase in the number of forced sales, repossessions, evictions, or other recuperation procedures related to credit are highlighted by the UK, Irish, Swedish, Dutch and Hungarian networks. In Sweden the number of people legally forced to sell has doubled between 2007 and 2009.

Housing and utility costs leading to over indebtedness

If some people manage to hold onto their houses, it is often at the cost of **over indebtedness**. Indeed, in a number of countries, people have to face higher prices of utilities, despite their shrinking resources, whether in rented accommodation or as owner occupiers. According to a Red Cross survey in Spain, 3 out of 10 people already facing vulnerability before the crisis have serious problems with housing, particularly: inability to pay rent or inability to pay for electricity, gas, telephone or community expenses.

Even in countries where the recession has led to a **decrease in the prices of rents, this has not generally benefited poor people**, as the prices remain too high for the actual resources of the people. In Ireland, deflation is used as a pretext by the government to reduce renting benefits, making even more difficult for people to manage.

Discrimination on the increase

In this tight context, migrants and ethnic minorities face **growing discrimination in accessing housing**. In Spain, a survey conducted by the Caritas Center for Homeless Persons in April/May 2009 showed an increase of 68% in the number of homeless migrants, mostly due to difficulty in accessing employment.

Homelessness is an increasing reality

Members see homelessness clearly on the rise in Spain, Ireland and the Netherlands (young people but also entire families are becoming homeless). Rumanian members report a "housing crisis". In Sweden and Germany, growing homelessness is expected to be part of the delayed effects of the crisis. For Sweden, this will be caused not only by the economic difficulties of people, but also by the expected increases in the interest rates. Also in Ireland, homeless organizations are seeing more migrant workers, mainly from Eastern Europe, who have lost their job.

"There is no social housing law, a lack of affordable rent, and discrimination on the "free market: private owners often discriminate against People Experiencing Poverty, families with small children, Roma. No or lack of affordable state or council flats complicates this issue. People who are not able to pay rent are rejected without any alternatives,. The reality of lower wages (because of shortened working hours) brings along with it the growth of indebtedness of individuals and families." (Czech Republic Network)

The increasing housing difficulties, caused by the crisis only highlight the **insufficiency of public housing policies during the previous periods**. EAPN members denounce the scarcity of affordable housing. In addition, some members see public housing projects being abandoned at the time were they would be most needed. EAPN Ireland reports that most planned social housing regeneration projects involving public private partnerships have collapsed. In Prague, in the Czech Republic, the future of the Day Center Hope for homelessness is at stake. This adds up to a slow down of private investment in housing: EAPN Belgium underlines a decrease of 21% in the number of requests for building permits.

1.3. Access to minimum income and social benefits

Most Member States have affirmed their intention to defend **minimum income schemes** as “automatic stabilisers” for the economy. But holes are clearly appearing in safety nets at the very time when these are most needed. Social Protection schemes ensuring minimum income and specific support for the most vulnerable are **proving insufficient to cushion the impact of the crisis**.

According to the wide majority of EAPN members surveyed, there is clearly an issue about the adequacy of Minimum Income and social benefits.

This crisis occurs at a time when eligibility rules have been tightened in a number of countries, notably in the framework of activation policies. In addition, existing systems are threatened by cuts by Government seeking to address their budget deficits (see Chapter 2.2).

Their remarks back up points made by the Social Protection Committee in their contribution to the evaluation of the social dimension of the Lisbon Strategy⁷: “In some countries – there are significant weaknesses and loopholes in social safety nets”.

Noticeably, so called ‘**activation policies**’, tightening sanctions imposed on people in the aim of pushing them back to work at any price, are pursued even in the new context, with less jobs to go to. This is the case notably in the UK, Sweden, Netherlands, and Ireland. In the UK, further reform of benefits is debated, but it seems that the main political parties all talk about increasing compulsion and penalties. It is expected that the next phase of welfare reform will be passed by the spring of next year.

*“If all long-term unemployed people have to turn to is the welfare system, they will face a devastating shock. The **Guaranteed Minimum Income** (rentas mínimas), is a system of last resort that can only be accessed by those on the very edge of destitution. Even when the MI granted, there is a **98-day delay before payment**, due to bureaucracy, budgetary scarcity and shortage of human resources to manage the system. Local governments are dragging a public debt of nearly Euro 30,000 million, and will surely face expenditures cutting measures in the months ahead. In such a situation, it is to be expected that local welfare offices will engage in an intensified drive to deny entitlements. If the crisis becomes deep enough and caseloads reach a high enough level, the **very viability of welfare provision will be called into question.**”* (EAPN Spain)

“The impact of the crisis is particularly important on vulnerable people in our country were there is no Minimum Income Scheme.” (EAPN Italy)

“More rules make it more difficult to access benefits (especially for people under 23 years, handicapped people...) but this - the jungle of rules - is already going on for years.” (EAPN Netherlands)

“In the last years, the benefit levels have decreased for the sick and the unemployed, and access to benefits has been restricted. But this change is not due to the present crisis, it is the result of a political strategy....” (EAPN Sweden)

⁷ *Growth jobs and social progress in the EU. A contribution to the evaluation of the social dimension of the Lisbon Strategy*, The Social Protection Committee, September 2009.

Available on: <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=596>

These schemes not only face an increase in the demands, but also reduced resources.

“The Government is considering proposals to cut the Minimum social welfare payment by 5% at the end of 2009. Already criteria for access to social welfare benefit have been made more difficult and the term reduced before people move to the means tested Jobseekers Allowance. Still for Ireland, other cuts have included: half rate payments to people under 20s, and, the extra payment at Christmas, representing a 2% cut in social welfare. Rent Supplement payments for those on social welfare have also been reduced.”

(EAPN Ireland)

“There is a growing contradiction between the way communes plans to manage with their economic situation and the law which actually guarantee the right for people to services and benefits. This contradiction is hidden, it is not publicly discussed.”

(EAPN Finland)

“Government cut maternity and family benefits as well as pensions and unemployment benefits, both the amount and duration of the allowance”.

(EAPN Latvia)

“Benefits are reduced relatively every year, by 0.5 % and new very low benefits are invented by the government in areas with many migrants.”

(EAPN Denmark)

“The impact of the crisis: Growing unemployment, non-performing loans, and social security crisis.”

(EAPN Lithuania)

“Cuts in public expenditure have worsened the already harsh living conditions of Hungarians. “Beginning with the family allowance amount, which many poor families rely on as their main source of income, all social transfers amounts have been frozen for two years. The “socpol”** has also been withdrawn.”*

(EAPN Hungary)

*Universal benefit related to the number of children in a family. Single-parent families or families taking care of an ill child get higher amounts.

** Fixed-amount social benefit entitled to families with children, to buy their first house or flat.

1.4. Access to goods and services

Despite the recession and a general trend of decline in the overall price index, many members insist that **prices of basic services remain high or even continue to increase, especially energy, health and utility prices** (UK, Spain, Ireland, The Czech Republic, Belgium). Public authorities are responsible for these increases, either because of their lack of regulation of privatized services, or because they have directly raised the rates of their own services.

“Prices of energy are still very high in Belgium, due to the lack of regulation and competition.”
(EAPN Belgium)

“Utility bills went up when fuel prices went up, but did not come down when oil prices fell”.
(EAPN UK)

Recession led to some **decreases in the prices of food (Spain) or in goods and services (Ireland, Czech Republic)**. But this is not enough to help people facing hardship. In the case of Ireland, there have been some decreases in costs, - which have been used to justify cuts in benefits - but also increases in some key services. Public budget restrictions are already resulting in restriction of services, which is eroding living standards of people faced with poverty.

“The capacity of municipalities to provide the basic services they are responsible for is clearly at stake.”
(EAPN Finland)

“Research show that “the current economic crisis has already affected one fifth of Czechs, and more than half of them expect to be impacted still in the future”(…) “six out of ten have experienced or expect a decline in their living standard” (…)
“most often people reduce spending on clothes, shoes, restaurants and cafés, and food.”
(EAPN Czech Republic)

“The problem of no-income families and those who live under the poverty threshold is permanent and has not been solved by the decrease in food prices.”
(EAPN Spain)

“There has been a reduction in the level of services to all groups. Care supports for older people and people with disabilities have been cut and proposed service increases in this area will not proceed. Rural Transport Programmes are being curtailed with proposals to stop them completely. General Health services, particularly those with an outreach function have been curtailed, etc....”
(EAPN Ireland)

1.5. *Indebtedness and financial exclusion*

A majority of EAPN networks report increasing problems of over indebtedness (Spain, Ireland, The Czech Republic, Sweden, The Netherlands, Denmark, UK). In some countries, massive over indebtedness is expected to be part of the delayed impact of the crisis (Germany, Finland).

In relation to the housing credit crunch, two main phenomenon are highlighted,

- Some people are falling into worsening debt struggling to pay their mortgages because of unemployment or reduced wages.
- Because mortgages were contracted on the basis of overrated housing prices, they now face bigger debts than the market value of their assets.

“People may find themselves in a dead-end: if not sold, properties cannot be simply “returned”, or even given away to the banks, as banks are not willing to buy them (they already have got a lot of assets that are hard to sell, including new real estate developments). If people simply stop paying, they may lose the properties anyway, but they will not get rid of their debts. If they become part of a debtors list, they cannot access to any sort of credit, and their salaries can be frozen.” (EAPN Spain)

Cumulative impact of reduced income, rising prices and lack of access to fair credit

Other members like EAPN Sweden highlight **more the case of people living on limited resources who are no longer in a position to deal with daily expenses**. This results in greater demand being addressed to NGO services for basic goods like foods, clothing, shelter, etc.

Many EAPN members find it difficult to understand why credit is still so difficult to access for ordinary people, as well as small enterprises, (point raised in Ireland, UK, The Czech Republic and Denmark, Netherlands, as well as Bulgaria and in the Czech Republic), despite millions of public money being used to bail out the banks.

The situation of poor people is made even worse by banks restricting access to credit and imposing high interest rates. The **lack of access to fair credit** is making people in poverty easy prey to loan sharks who charge exorbitant interest rates, often with unscrupulous, aggressive recuperation methods. Financial exclusion is expressed as a very strong concern amongst many networks.. Several Eastern European networks denounce the practices of **imprisoning people for small debts, often linked to public services debts (e.g. transport fines, and non-payment of medical insurance) (PL and SK)**. Some members go further and denounce a model of growth that relies on credit-based consumption, which has lead to people being trapped in debt, as well as for the banking system to collapse (UK, CZ).

“There are houses on sale with the legend: “I cannot keep on paying. I sell the house for the remaining mortgage amount!” (EAPN Spain)

“Over indebtedness was a widespread and increasing problem before the financial crisis and a cause of it”. (EAPN UK)

“There are many advertisements offering goods, holidays and other commodities on credit. Now there are some awareness raising campaigns regarding the danger of over indebtedness, and the EC directive concerning consumer protection into Czech legislative is being implemented.” (Czech Republic)

“I was sentenced to three months’ jail because I could not pay off my debt. The police arrested me in my apartment in front of my 5 years old daughter, she was traumatized for 80 euros”.

(A Polish participant to the 8th Meeting of People experiencing poverty, May 2009)

“The financial package seems rather effective for consolidation of the banks, but it is not sufficient to solve problems of enterprises and private persons who need loans and credit.” EAPN Denmark

1.6. Pensions

People's pension rights are affected to a large extent by their access to employment. People aged 45+ together with youth are the most vulnerable groups on the labour market in time of crisis. They risk being the first to be fired, their eligibility to unemployment benefits are reduced and chances of accessing lifelong learning or training opportunities are made more difficult. In addition, the closer link between contributions and pensions, introduced through pension reforms in many Member States, has rarely been accompanied by a comprehensive employment strategy to facilitate job retention of older workers. Pension levels are also impacted by the financial crisis, through reductions in levels and through the impact of the crisis on pension funds. The trend to reform pension schemes through a gradual shift of responsibility from the state to individual citizens has left older people's pensions savings at the mercy of economic fluctuations and financial markets speculations – reducing the adequacy of their income in old age, and creating the so-called 'new poor' older people.

“Occupational pensions have been badly hit by the closure of final salary schemes – closures accelerated since the financial crisis – and their replacement by money purchase schemes (defined contribution rather than defined benefit). Most employers are putting in a much smaller percentage than they did under the old final salary schemes. These money purchase schemes have been badly hit also by falling stock markets. In their 2008 report, the UK NAP experts (Bennett and Bradshaw) said that the government's strategy of shifting to private pension provision was “in tatters”.

(EAPN UK)

“Private pensions are badly affected and many pensions' funds are empty”.

(EAPN Ireland)

“The government has recently announced that pensions will be reduced by 10%, and pensioners who have a job will have their pension reduced by 70 % from 1st July 2009 to 31 December 2012”.

(EAPN Latvia)

AGE, the European Older People's Platform, has denounced this decision, stating that this will increase older people's poverty, as pensioners who have a job really need it, and will act as a negative disincentive to active aging.

“Private pension schemes face the most immediate and visible problems from the fall in equity and property prices. The impact is obviously greatest where private pensions already play an important role in providing old-age incomes, such as Australia, the Netherlands and the United States.” (OECD Report “Pensions at a Glance 2009) Other countries, such as the UK and Ireland, could be added to this list. (AGE Platform)

The defined-contribution funded pension schemes, although playing in many countries a significant and necessary role in completing the overall pension provision, proved to be highly ineffective to provide an adequate old-age income in time of crisis. This is due to their dependence on an unpredictable stock market, and because they are – as any other pension system – adversely affected by population ageing. (AGE Platform)

Main Findings

- The crisis is causing major unemployment, probably to a much bigger extent than the statistics can show, because of the informal labour market, self-employed and precarious work.
- Other consequences are a degradation of the quality of work, and a decline of income deriving from employment because of the forced reduction in working time.
- Homelessness and difficulties of vulnerable people to meet housing costs are on the rise, highlighting the lack of access to affordable housing, particularly in the social rented sector.
- The crisis reveals the existing inadequacy of Minimum Income schemes and social benefits.
- Conditions for the poor are exacerbated by the refusal to soften conditionality rules and punitive sanctions in activation approaches, despite the negative job market.
- The crisis has provided evidence of the weaknesses and limits of the pension reforms based on a decrease in provision from pay-as-you-go systems and a gradual transfer of risk to individuals through the promotion of defined contribution funded pension schemes.
- Governments fail to accommodate the impact of the crisis on adequacy of old-age income among the vulnerable groups, such as people employed in low quality jobs and long-term unemployed or those with shorter and atypical employment careers, mainly women.
- Despite some falls in prices of houses, food and electrical goods, basic goods such as energy, health and utilities are causing increasing hardship because of their high price level in relation to household income. Budgets cuts are restricting access to services.
- Over indebtedness is on the rise, fuelled by inadequate incomes, the lack of access to fair credit and banking services. In some Eastern European countries this is leading to people being jailed for debt.
- The financial crisis, unemployment and budgets cuts are putting both the public and private pensions' funds under threat.

2. Recovery Plans: some positive initiatives... and threats to the future of social protection?

Economic Recovery packages have been carried out in all member states, many influenced by the EU Economic Recovery plan and subsequent documents (Driving Economic Recovery – March 2009). We acknowledge the fact that that these actions have been driven by the intention to alleviate the impact of the crisis on ordinary people, particularly those threatened by unemployment. But, the full picture must be assessed in the wider context of global public action during the crisis. What members witness on the ground is that positive social initiatives are being undermined by overarching employment, economic and fiscal policies. Whilst measures to limit unemployment will alleviate the impact of the crisis for those with secure jobs, they will not prevent a worsening of the situation of precarious workers or those without a job.

Even more central is the issue of how the current huge public deficits will be dealt with, and to what extent social protection is likely to pay for the cost of bail outs to banks and business-targeted recovery packages.

2.1. *Some positive measures – but not enough*

For a number of countries members have listed some good social measures in their national recovery packages.

Measures against Financial Exclusion

Measures have been taken **to help people affected by insolvency** in the Czech Republic; Spain (with a moratorium on 50% of the mortgage payment of those made redundant) and France (setting up of a credit mediator), and some are envisaged in Bulgaria (possibility of credit refund for young families).

Raises in benefit levels

Employment benefits have been made slightly more generous in the Czech Republic, and Romania. A social fund that gives an income surplus added to the unemployment benefits has been created in Belgium, and unemployment benefits have been temporarily raised. The Spanish government decided to “extend” the unemployment insurance for extremely low-income families, with an Income of 421,79 Euro during a maximum of 6 more months. Improvements in the **guaranteed Minimum Income** have been announced in Spain (extension of the number of people covered) and in Finland (indexation to the consumer price index in 2011).

Increase in pensions

Measures to **improve pensions** have been taken in Spain, Germany (increase in 2009), Finland (introduction of a guaranteed pension in 2011), Cyprus, Greece, and Romania.

One-off benefits

Some governments have decided to allow **extra support to households**, especially families with children, in the form of a one-off allowance (France), increase in children benefits

(Germany, Czech Republic), noticeable improvement in health care packages (Malta), fiscal policy (Austria), and payments to alleviate energy bills (Greece, Cyprus). Italy extended the access to the 'social card'⁸ to a wider public. In Scotland, help to reduce energy bills (including the installation of central heating) is being extended to some at risk groups not previously covered, particularly helping children with disabled children for example. In Norway, the State-organized Housing Bank has increased the budget allocated to the housing allowance system, which is a government-financed support scheme aiming at helping to cover housing expenses for households with low income and high housing expenses.

Support for training and new jobs

In Czech Republic, Sweden and Finland, **education and training** are given a renewed boost as a tool against unemployment. In the UK, the Future Jobs Fund has been launched which aims to provide 'real jobs' for 150,000 young people aged between 18 and 24. In Spain, some positive initiatives come from regional governments. In October 2009, the Community of Madrid passed a new law to create jobs and businesses in Madrid. In addition to aiming at the creation of 20,000 jobs, the bill simplifies and streamlines the administrative procedures to create companies.

Preventing homelessness

Some governments are trying to contain the number of people losing their homes.

In the UK, the government has been encouraging banks to make repossession/ eviction only a last resort and has provided some support for people to be able to stay in their homes. In Belgium, people facing problems in repaying their loans due to illness and unemployment can make use of a free public insurance. The minister is trying to extend the use of such insurance to rents

Better access to housing

In Denmark, the government has just started a programme aimed at reducing the number of homeless. The idea is to set up more flats, aimed specifically for homeless people.

In Ireland, many houses built by developers are now empty. At the request of homeless organisations the Government has provided some funding to local authorities to rent out some of these houses and address some of the needs of those on the social housing waiting list. In Scotland, the Government brought forward £120million for spending on affordable housing meaning that more around 6,200 homes were built in 2008/09 an increase in previous years, although this may affect budget for future years.

⁸ Those who qualify for the 'social card' in Italy can avail of €40 worth of credit and a 5 per cent discount in a range of supermarkets. It had been initially devised for the elderly.

But not enough to meet the need!

However, the assessment shared by members is that the **social recovery packages implemented fall far short of a real social response to such a crisis.**

- Measures for tackling indebtedness do not ensure **access to fair credit or guarantee adequate income, and defense against rising prices.**
- **The current systems of social benefits, unemployment benefits and pensions, are not adequate** to ensure a dignified life, sufficient take up and coverage, and sustainability.
- **Housing initiatives are not sufficient.** What is needed is policies which support people already in a vulnerable situation regarding housing, and not only people newly at risk of eviction; which support people for all the costs associated to housing, fighting energy poverty, and addressing homelessness in an integrated manner. For many networks this means prioritizing access to affordable rented housing, and particularly **social housing.**
- Members also raise the question of the **priority given to education/training** in the context of jobs scarcity. Extra allowances are not enough to compensate the financial consequences of employment loss and part unemployment in the people's budgets.

*"This is no more than firing salvos".
(EAPN Spain)*

*"People look for jobs because they need an income, not for schools".
(EAPN Czech Republic)*

*"Housing first" is one of the buzzwords, underlining the hope that homelessness primarily is a housing problem"
(EAPN Denmark)*

*"Only 20% of the unemployed get unemployment benefits". The social recovery aspect is more about words than facts".
(EAPN Spain)*

*"The promised increases in social security benefits come in 2011, which is too late. They would be both most needed and have most effect in terms of enhancing consumption, if they were implemented earlier".
(EAPN Finland)*

*"No sign yet of the effectiveness of direct funding from Government to address job retention or creation".
(EAPN Ireland)*

*"No social package has been formally announced".
(EAPN UK)*

2.2. The central question of public budgets management

2.2.1. Banks and big enterprises backed first; public budgets jeopardized

Huge public bail outs to banks has been widely witnessed and reported all over the EU
Some members not only question the amounts bailed out but also the efficiency of such a choice.

“85.5 billion pounds have been directly devoted to the financial stability measures, as well as bonds (government debt) sold to all banks to recapitalize them”.
(EAPN UK)

“Public authorities decided to rescue the private Parex Bank from bankruptcy: they spent 700 million LVL (ie 500 LVL 700 EUR) per inhabitant) and left the State Treasury empty
(EAPN Latvia)

“A National Assets Management Agency has been set up to buy the toxic assets of the banks. But it is questionable whether this solution will ensure that banks will lend again to people.”
(EAPN Ireland)

Public budgets engaged to safeguard the demand side in the worst-hit sectors

Most governments have taken action on the demand side industries facing huge decreases in the consumption and in exports, notably in the construction and automobile industries.

Public investments have also been largely made in infrastructure, building or renovation work in Spain, Germany, Portugal, Finland, Norway, the Netherlands, Luxembourg and Austria. Members recount the huge amounts engaged: 10 000 million euros for the Spanish ‘National Social Housing and Revamp Plan’ for 2009-2012, and 10 000 billion euros for local infrastructure in Germany.

Tax credit has been implemented in Italy, Luxembourg, and the Czech Republic ... in order to boost the demand for cars. Similarly in Germany, consumers grants were awarded.

“5 Billion euros are devoted to the environmental bonus, subsidizing green cars buyers. (EAPN Germany)

“The government agreed on January 2009 a 2 billion euros stimulus package.”
(EAPN Finland)

“There is a “Plan E”, based on urban reparations and reconstructions, managed at the local level.
(EAPN Spain)

Extraordinary expenses and reduced revenue provoke huge public deficits

Several mechanisms are contributing to widening public deficits with drastic reductions in public revenue whilst expenditure continues to increase: with a decline in individual and enterprises’ tax returns and social contributions at the same time as unemployment and social benefits claims have increased, as well the extraordinary measures decided on by governments. Public deficits have reached such amounts as 5-6 % of the GDP in Spain (with a forecast of 10% of GDP in 2010), 13 % of GDP in the UK, where the total amount of the public debt is 80 % of the GDP in the UK, Ireland could be 34% by the end of the year.

The role of social protection expenses as automatic stabilizers has been acknowledged⁹ (they rise in a negative economic context, and decrease in better times, at the same time as social contributions increase). The current policy trend however is to limit these deficits through belt-tightening policies. The Spanish, Irish, French, UK, Bulgarian, Italian, Belgian and the Luxembourg networks expressed strong concerns regarding the consequences of this situation.

Worse Public Budget Crisis in Eastern Europe

As a direct consequence of the crisis, the credit crunch and the dramatic fall in their currencies, the debt burden of these countries has become unsustainable.¹⁰ Hungary, Iceland, Latvia, Serbia and Romania have taken out International Monetary Foundation (IMF) loans this past year. However the requirements of these loans is in itself a source of concern, as Governments are pressured to reduce public deficits rapidly mainly through public service and benefit cuts. Support and loans are also provided by the EU. Voices have been raised to defend social rights in recovery and exit plans. In the European Parliament, a written declaration (0056/2009) has been launched, demanding that social conditionality becomes an integral part of any financial assistance and that the Commission and Member States evaluate social impact of all anti-crisis measures on a regular basis and report back to Parliament¹¹.

2.2.2. Should it be at the expense of social cohesion?

The ease with which billions have been given to banks has dismayed anti-poverty activists, who have had to fight hard for every social budget line. They are now bewildered to discover that this will be at the expense of social inclusion policies and social protection systems. **They do not believe that this is the only option available.**

In recouping public deficits, many courses of action are open to Governments, tackling both revenue and expenditure issues. **Why are these not being considered?** For example:

- 1) Recouping the loans and bail outs directly from the banking and financial sector - let the polluter pay principle.
- 2) Increasing revenue to the public account – through more progressive taxation, taxes on capital gains, tackling tax avoidance and evasion.
- 3) Reducing expenditure – but looking at administrative waste and the totality of public budgets, i.e. why should *social* budgets and not *defense* budgets be cut?

Dramatic cuts threatening social budgets

Belt-tightening is generally targeting social budgets. In some countries, the depth and extent of the cuts are strongly highlighted by anti-poverty NGOs. Spanish and Irish governments, hit particularly hard by the crisis, have made significant cuts in the education

⁹ Reference of public EU reckon.

¹⁰ Since last summer, the Polish zloty has lost 48% against Europe's common currency the euro, the Hungarian forint 30% and the Czech Krona 23%. That makes euro-denominated debt, which has risen dramatically anyway in the past few years, much harder to pay back. In Poland, foreign currency debt held by households has tripled in three years to 12% of the GDP last year, with some 70% of mortgages taken in foreign currencies. In Hungary, foreign currency loans make up 62% of all household debt, up from 33% three years ago.

¹¹ See the [written declaration](#) 056/2009. on the protection of social rights when fighting economic crisis.

and social sectors. The amounts concerned are bewildering and deeply disturbing. Other countries are starting the process.

“Within an overall budget reduction of 1500 million in 2009, the ministries of Education and Social Policy and the Ministry for Housing had each of their budgets cut by 105 millions. 40 million had been cut in the programme to the second cycle of infant education, and almost 15 million in scholarships for secondary education, as well as 59 million in the fund for the support and the integration of migrants, 12 million devoted to older people, 2.4 in the action plan for the disabled and 3.01 millions in measures for ‘positive parenting.’”

(EAPN Spain)

“There are already cuts affecting benefits and discretionary expenses (projects for homeless people, people with disabilities, and other anti-poverty initiatives. There are concerns about futures cuts in social services including health and education.”

(EAPN Austria)

“Major cuts are being made in services, including health, education and support for older people, people with disabilities as well as payments for childcare. The economic context is being used to justify attacks on equality, human rights, anti-racism and anti-poverty NGOs and infrastructure. The previously independent Combat Poverty Agency has been amalgamated into the Department of Social and Family Affairs, the National Consultative Committee on Racism and Interculturalism was closed down, the Equality Authority had a 43% budget cut and the Irish Human Rights Commission a 24% cut.”

“Specific cuts have also been done in education support for children for whom English is not one of their first languages, Travelers and those with special learning needs.”

“Many further cuts are now under discussion based on proposals made by the McCarthy report commissioned by the Government.”

(EAPN Ireland)

“Discussions on introducing national health system has been held up.”

(EAPN Cyprus)

Threats to social rights in some New Member States

Eastern Europe countries who have taken loans from the IMF and the Commission have to now comply with their requirements for budgetary and structural reforms which have led to massive budget cuts in social services and public administration.

“Hungary resorted to a 1.2 billion euro IMF loan at the end of 2008.” (EAPN Hungary)

“VAT was increased from 18% to 21%. The most drastic jump was for medication, books and the print press, with a former 5% tax. Maternity and family benefits as been cut as well as pensions and unemployment benefits, both the amount and duration of the allowance.” (EAPN Latvia)

“Since the crisis, there is no alternative to the reduction of social expenditure.”

(EAPN Bulgaria)

“There is a wide debate about the consequence of the IMF loan.”

(EAPN Romania)

Other countries do not report such major cuts, but restricted resources in some social areas and restricted support to NGOs action (see below under 4.). Some also underline that they expect cuts to be decided on in the future.

“The stability and the security of social security in the future are at risk.”

(EAPN Germany)

“Liberal political forces take advantage of the situation to put public social intervention under question.”

(EAPN UK)

Taking a different approach, the Swedish government financially supports local and regional levels in order to avoid a step backwards in the quality provided in the health and social sectors, and has refocused its approach.

*“Our government has taken into account criticisms and shifted from their recovery policy only targeting the financial sector to more educational and job creation measures”. **The change in focus to more educational and job creating measures is partly the result of criticism from the political opposition and the public and the fact that we have a political election coming up next year.***

(EAPN Sweden)

New Taxes – but who pays most?

An option shared by a number of governments is to increase public revenue by introducing new taxes; however the majority show little concern about their social impact. Instead of using the opportunity to ensure that the poor do not pay for the crisis. **Few countries are considering more progressive taxation**, (ie higher tax rates for the rich, lower for the poor), preferring flat tax increases or indirect taxes (eg VAT) which proportionately hit the poor worst. Neither are many considering introducing new taxes on capital e.g. capital gains tax, or increasing efforts to increase revenue through tackling tax evasion and avoidance.

In Italy and Romania, an increase to the tax on labour is being considered. The risk would be to stimulate the development of the black labour market, which would be detrimental to the workers.

EAPN Italy and EAPN Romania

“VAT was increased from 18% to 21%. The most drastic jump was for medication, books and the print press, with a former 5% tax.

(EAPN Latvia)

“A second income levy introduced in 2009 impacts on those on the minimum wage despite the previous stated policy of keeping those on the minimum wage out of the tax net.”

(EAPN Ireland)

“With the excuse of getting funds for the new 421,79 Euro pension for jobless and extremely poor people, the Spanish government raised the VAT (from 16% to 18%, and from the 7% to 8%, to the reduced sectors of housing and hospitality.”

(EAPN Spain)

2.2.3. Attacks on social protection financing

As a way to boost the economy, support enterprises and limit unemployment, members highlight that some governments have chosen **to reduce employers’ social contributions**. (France, Czech Republic and Finland) This choice raises questions concerning the future of our social protection system in terms of principles- is solidarity still a core principle? As well as financing – what will be the long-term impact of these reductions on financing social protection?

“The Government made the decision long demanded by the business world, i.e. it lifted the requirement for employers’ social insurance contribution this means an annual income reduction of EUR 833 million in the future. The Government hopes that it will be compensated by increased tax revenues at a later stage; for the time being, the gap is being filled by additional state loan. There is no proof that the funds in question will actually have any impact on recovery, but the move may turn out to be basically an income transfer from the state to the businesses (and their owners). Besides the practical impact, one may also call into question the signal it gives on the significance of a system based on solidarity.”

(EAPN Finland)

“Tax reduction for night- and overwork, in addition to the general tax reduction on labour.”

(EAPN Belgium)

*“The government implemented a **reduction of five points** (from 25% to 20%) in corporation tax for small and medium enterprises, if they maintain or increase employment.”*

(EAPN Spain)

2.3. Safeguarding employment: but what about access to decent work?

In the new context of the crisis, defending jobs is clearly vital, but members regret that labour market policies continue in the same line - focusing on flexicurity and 'modernizing' the labour market. This approach did little to prevent the consequences of the crisis. In some cases, these modernization policies have even exacerbated the consequences: for example for people working on a precarious basis.

EAPN has already highlighted the negative impacts of the flexibilisation of the labour market in terms of increased precarity, without increases in security. EAPN would stress the greater relevance in the current context of alternative options based on increasing employment security and access to decent work.

2.2.4. Flexicurity - more precarity, less security

Most of the EU governments (at least Germany, Sweden, Finland, Portugal, Belgium, Poland, The Netherlands, France, Austria, Luxembourg, Bulgaria, Italy, and Lithuania) have responded to the crisis with further reforms to labour market regulation. The main aim of reforms is to develop flexibility in the labour market: both external flexibility (related to the possibilities to move in and out the enterprise – increasing the ease of hiring and firing), as well as internal (related to the possibilities to changes in the working conditions within an enterprise).

Some countries, such as Finland or Luxembourg, have exploited existing flexibility rules. Others have introduced changes in labour law, such as Poland and Portugal. But without an equivalent increase of security, through reinforcing social protection. The reality is far from the principles of flexicurity agreed at the EU level, stating that "Flexicurity is a means to (...) promote good work through new forms of flexibility **and security**"¹².

"The focus is on accelerating the 'modernization' of the market through the implementation of anti-trust legislation and the diminution of red tape".
(EAPN Lithuania)

"The possibilities of short terms contracts have been extended. Most often it relates to internal flexibility, aiming at preventing people losing their current jobs".
(EAPN France)

"A new national labour code, on the basis of EU guidelines' is part of the recovery package".
(EAPN Portugal)

"Subsidies are given to companies that reduce working hours and keep staff".
(EAPN Slovenia)

Other aspects of the modernization of the labour market have also been pursued.

"The focus is on accelerating the 'modernization' of the market through the implementation of anti-trust legislation and the diminution of red tape".
(EAPN Lithuania)

¹² See EU Common Principles for flexicurity on:
<http://ec.europa.eu/social/main.jsp?catId=117&langId=en>

2.2.5. Missing: policies ensuring access to decent employment

Several EAPN members highlight missed opportunities for increasing access to decent work. Many EAPN members are engaged in projects aiming at developing decent and accessible employment, including social economy projects, including WISE¹³ (Work Integration Social Enterprises). Despite the fact that the relevance of their action has been recognized at various levels, including at the EU level¹⁴, they are disappointed that governments are not taking advantage of their expertise in developing effective public action against unemployment and as tools for inclusion.

Decent Job creation

In a number of cases, the priority is to keep people in their current jobs, with no focus on the creation of new jobs. Whilst defending existing jobs is crucial, people who are already outside the labour market must not be forgotten about. In some countries, employment has been deliberately stimulated through public investment in particular sectors, for example in Spain (National Housing and Revamp Plan) and in Finland (investment in construction and renovation, transport infrastructure). But there is no specific attention given to the quality of job maintained or created.

Lack of alternative approach to job creation

There are indeed some projects aimed at new job creation, but they are scarce. Globally, the political energy behind these projects seems rather weak. Members highlight that public investment could have been more wisely used to create 'green' jobs (contributing to addressing the environmental challenges) as well as 'white' jobs (contributing to expanding social, health and care services), in line with President Barroso's Recommendations in the Political Guidelines for the new Commission.¹⁵ Many agree that the potential of the social economy in terms of job creation is not taken advantage of.

*"No specific measures are taken to increase access to jobs; policy focus is on measures to keep people in the job."
(EAPN Germany)*

*"No real sign of new jobs being created, but the Government is looking at the creation of new 'Green' jobs."
(EAPN Ireland)*

*"Most of the money goes to construction, whereas many consider that at least part of it could have been used better in services. It is precisely at the time of crisis, when the basic services are most needed; now the municipalities are desperate to secure them, their tax revenues going down drastically."
(EAPN Finland)*

¹³ See results of the Progress funded project on Work Integration Social Enterprises as a toll for social inclusion: <http://www.wiseproject.eu/>

¹⁴ See [Guidelines 2008-2010 for the Employment Policies of Member States](#), page 8: "Special attention should be paid to promoting the inclusion of disadvantaged people, including low-skilled workers, in the labour market, inter alia through the expansion of social services and the social economy, as well as the development of new sources of jobs in response to collective needs" (p.8)

¹⁵ President Barroso's Political Guidelines for the next Commission (Oct 2009).

“The measures taken do nothing for the poor, nothing for creating new jobs, do nothing to support the millions of people working on highly insecure and over-flexible jobs”. (EAPN Italy)

“The decision to bring forward investments in transport infrastructure will generate 4,300 man-years in employment.” (EAPN Finland)

Access to employment – reduced priority

Because the focus is now mainly on keeping people in their jobs, the issue of access to the labour market seems to be forgotten. Public authorities seem to have lost sight of the need to provide sustainable and accessible employment for those who are unemployed, as well as to support people furthest from the labour market into sustainable integration in the labour market. Youth unemployment is a major problem. This results in a “frozen’ labour market, consolidating the gap between “insiders” and “outsiders”, with the likelihood of very negative long term consequences for the many people being left outside the labour market.

“Needs of those furthest from labour market are much less of a priority as the focus moves to ensuring the newly unemployed do not move to long term unemployment”. (EAPN Ireland)

“The discussion is dominated by ‘activation’ with stronger ‘targeting’ that will exclude people in poverty further away”. (EAPN Hungary)

“Labour market is very conservative nowadays: who’s out- stays out”. (EAPN Belgium)

Reinforcement of harsh activation policies – not Active Inclusion

Activation policies have been strongly developed in recent years aiming to ‘prod’ the unemployed into work, through training and counseling but also via compulsion and benefits sanctions. EAPN has repeatedly denounced excesses of such punitive approaches, especially in the context of scarce employment. At the EU level, the notion of **active inclusion**¹⁶, bringing together pathways to employment and access to adequate minimum income and services, to ensure sustainable integration into the labour market, or social participation has been developed. With the endorsement by the EPSCO in December 2008, Member States agreed to implement this more balanced approach. However, in

“Long term unemployed and precarious workers have even less chances to get a job than before the crisis. But they are forced to apply for a certain number of jobs every week, participate in different programmes that will keep them busy but leading to any jobs. They also have to accept any job regardless if it’s less paid or if they are over qualified for the job otherwise they will lose their unemployment benefit”. (EAPN Sweden)

“Activation policy is still going on, but the jobs are less and not so qualified.” (EAPN Netherlands)

¹⁶ Active inclusion strategies are defined by the EU Commission as integrated strategies, entailing the provision of an adequate level of income support with a link to the labour market and a better access to services, aiming at promoting the integration of the most disadvantaged people. See specific europa webpage: [EUROPA - Employment and Social Affairs - Active inclusion](#)

most member states, this integrated approach is not being implemented and most see a continuation, even the reinforcement, of harsh activation approaches regardless of the degradation of the context.

“Activation policies stayed unchanged, which means that also the same numbers of consultants, social assistants... are consulting a much bigger number of unemployed people.” (EAPN Belgium)

Main Findings

- The positive short-term social measures are insubstantial compared with the amounts spent on banks and business and do not fit the size of the social impact of the crisis.
- Most EAPN members complain that the Recovery plans, which primarily aim at the revitalizing industry and business and boosting consumption, are not really helping people experiencing poverty.
- The extraordinary expenses decided on by EU governments to bail out the banks and provide support to failing industries have deepened the natural impact of a recession, resulting in large public deficits.
- The actions to reduce public deficits are falling unfairly on the poor: EAPN denounce the political choice being made to reduce these deficits at the expenses of health, education and social protection, notably in Ireland, the UK, and eastern countries who have taken out IMF and Commission loans such as Hungary, Latvia and Romania.
- Opportunities are not being taken to look at the role of inequality in causing the crisis and of increasing public revenue through taxing the banks, progressive taxes, capital gains tax and action against tax evasion and avoidance.
- Employment policies prioritize further flexibilisation and further activation with punitive conditionality, to the detriment of promoting integrated Active Inclusion approaches, developing access to sustainable employment, job creation and the social economy.

3. People experiencing poverty affected most

Clearly, the most vulnerable in our society are at risk of being the worst hit by the crisis. Many were already in a fragile situation, before the crisis and public policy has not made them a priority or developed adequate measures to protect them.

“All the vulnerable groups are affected, but to a large extent this is due to the government’s policy in general.”

(EAPN Sweden)

3.1. Further deterioration of living conditions and social cohesion- for those most at risk

Increasing deprivation

The lives of people already living close to the poverty line are being made worse. Members’ report increasing deprivation of people with no or limited income, with little chance of finding support. The majority of EAPN organizations see increasing demand for in kind basic goods: food, shelter, clothes (see also section 4), often for groups that previously did not need these kinds of services. With deepening poverty, comes increasing insecurity – rises in stress, mental illness and suicides.

Part of this impoverishment process is also exported to developing countries, as migrants who have sent income back home to their families, lose their EU jobs and return home, without new sources of income. Others continue in the EU in worsening conditions.

“Deprivation: 18.5% are deprived in three or more indicators of basic needs”.

“There seems to be a deterioration of basic health conditions. Some qualitative surveys show an increase in depression, stress and anxiety, as well as other psychosomatic disorders”.

“According to the Red Cross’ Survey, it is remarkable the strong growth of the people without any income, who now represent 1 out of 5 cases, in the last year. This data is largely linked to the disappearance of family support and solvency. 77% declared that they have no chance of financial assistance of any kind to address their problems”.

(EAPN Spain)

“The pauperization is growing: a number of social NGOs are developing a network of ‘social groceries’ for those who can no more afford the cost of daily living and this is a new phenomenon.”

(EAPN Luxembourg)

“Low wage earners and benefit recipients in rented accommodation who spend a high proportion of their incomes on utilities, transport and food have seen their real incomes most reduced.”

(EAPN UK)

“Many European migrants have gone home and inward migration has fallen in Lithuania.

(EAPN Lithuania)

"The number of suicides and attempted suicide was down in Lithuania in 2007, but went up again significantly with an increase amounted to 8,4 % in 2008."

(Lithuanian Institute of Employment and Social Research)

Social tensions

Vulnerable people are competing for scarce jobs and limited support services in the context of more and more need. This tension is responsible for increasing racism and xenophobia. Some organisations also witness increasing domestic violence within families.

"A stiff competition between the poor, and the newly impoverished people, is expected to increase. Important budget cuts in social spending are fuelling this process."

"Thousands of migrants are returning to their home countries (more than 15,000 in 2009, as far as we know). There is an increase in overt discriminatory practices carried out by the employers: "Jobs are for locals", they claim. Anti-discrimination regulations at the labor market (based upon the two EU 2001 Directives) are not working at all!"

"There seems to be an increase in domestic, gender and urban violence."

(EAPN Spain)

"The crisis is creating a hostile and xenophobic climate (British jobs for British People)."

(EAPN UK)

"Also other vulnerable groups – those, who are in a weak position even under the best market conditions – will find it difficult to cope. Generally, competition becomes harder and attitudes tougher."

(EAPN Finland)

"Social tension is slightly increased e.g. among socially excluded Roma, and extremism is increasingly supported by the population. Ultra-right nationalist parties such as the workers' party, Delnicka Strana, the National party, Narodni strana....) are becoming more popular."

(EAPN Czech Republic)

"NGOs are combating rising racism"

(EAPN Malta)

"As to the social climate, emergency signs multiplied, such as growing intolerance and violence against Roma."

(EAPN Hungary)

No trust in the future

Members also highlighted people's growing feelings of hopelessness and lack of trust in the future. For many this demonstrates a fundamental loss of confidence in the ability of society to challenge growing inequalities and ensure social cohesion. (This is echoed by recent Eurobarometer surveys).

In Lithuania more people are choosing to emigrate. A study currently being conducted by the Lithuanian Institute of Employment and Social Research, (commissioned by the Lithuanian Ministry of Social Affairs and Employment, UNDP and EU Representation in Lithuania) points out the likely negative economic impact of such a trend in the long-term on Lithuania.

"People experiencing Poverty are affected of course, because the possibility of improving or even maintaining their situation is almost lost."

(EAPN Netherlands)

"People share concerns not only about the crisis but also about the credibility of the government and the gap between the rich and the poor."

(EAPN Greece)

"The confidence among the citizens regarding the reliability of the welfare system has decreased a lot."

(EAPN Sweden)

"These components will for sure leave less money for public support of the poor and socially excluded and will also lead to a growing gap between rich and poor and makes it more difficult to integrate the excluded."

(EAPN Denmark)

Those who are living with permanent and occasional anxiety added up to 80%. With regard to personal care, 15% had permanently self-abandoned, but there are varying degrees of casual neglect".

(EAPN Spain)

3.2. *As governments save on social protection, the most fragile are worst hit*

Groups affected by social exclusion were already identified before the crisis. New groups are being added, but too often concern for the “new poor” makes “existing people in poverty” invisible. In reality, their difficulties are getting worse, with the least opportunities to access decent jobs, inadequately protected by minimum income schemes and other social protection and social inclusion policies vital for integration. Even these are being targeted by public budget cuts.

3.2.1. *The worst hit by unemployment and precarious jobs*

First out, last in

EAPN has repeatedly denounced the growing precarity on the labour market – more flexibility unbalanced by increased security, based on a strong social protection system, is not the solution. Clearly, the most precarious workers (interim agency workers, workers on short term and temporary contracts, on-call workers...) have been the first victims of the economic crisis. The first to lose their jobs, they are also the last to get a chance to find another one.

“According to the “100 economists’ document”, there is a problem of high employment volatility generated by a dual labor market, in which for two decades around 30% of employees have been on fixed-term contracts. In economic booms this model generates strong job creation, albeit concentrated in low-productivity industries, whereas in recessions it exacerbates job destruction”.

(EAPN Spain)

“Temporary jobs are significantly reduced”.

(EAPN Germany)

«Public support targets more the people already in employment and likely to lose their job (i.e. part-unemployment arrangements, support and job search for people being made redundant for economic reasons) than people already unemployed and precarious workers. Therefore they are the ones who are hit the strongest by the crisis”.

(EAPN France)

“People working in temporary (interim) jobs were the first to become unemployed, and don’t get access to the labour market again.”

(EAPN Belgium)

With policies mainly geared at safeguarding existing employment, people trying to access employment are now facing a **closed labour market**. Flexible employment, rather than a step towards integration on the labour market, has meant for them unsustainable employment.

Precarious jobs then long-term unemployment

People hit by the crisis when they were already in precarious employment are mostly from groups sharing specific difficulties accessing sustainable employment. What will be the future of these people, e.g. people suffering from long term sickness or disability who may now be permanently left without chances of a decent job?

“The groups affected are the usual ones: People who have a mix of hindrances in relation to the labour market: the poor, unskilled, single, and unhealthy. The problems have been identified many times, especially among single mothers, single men and bigger migrant families. Young and elderly are among those most affected by the growing unemployment.”

(EAPN Denmark)

“Those most distant from the labour market are less of a priority for government as they move to target resources on those recently unemployed.”

(EAPN Ireland)

“Vulnerable people face even bigger obstacles on the labour market because of their low level of qualification, their weak geographical mobility, the discrimination they suffer from...”

(EAPN Portugal)

“Precariously employed are the first to lose their jobs, and growing unemployment makes it more difficult for them to find a new one. Among those, women and single parents, ethnic minorities and migrants as well as low skilled persons are the groups mainly affected.”

(EAPN Germany)

Young and older people’s situation particularly critical

From this point of view, many networks highlighted the situation of young people as particularly critical (UK, Ireland, The Netherlands, Belgium, The Czech Republic, Denmark, Sweden). It is notable that the French government has recently granted youth access to the minimum guaranteed resource scheme. People under 25 can now claim this guaranteed resource provided they have worked for at least 2 years. But this will not help those who have not yet been able to access stable employment or for less than this period. Older workers face increasing difficulties, as they are often in the front line for redundancies.

“Unemployment among young people under 25 increased three times more (by 16%) than unemployment in general (which has risen by 5.3%; data from May 2009) because young employees enjoy less job security and are above average on temporary contracts.”

(EAPN Germany)

“Opportunities for young graduates are greatly reduced and the Government has halved the welfare rates for those under 20.”

(EAPN Ireland)

“Youth unemployment has risen by 40%.”

(EAPN Belgium)

“People over 50, looking for work, face difficulties.”

(EAPN Czech Republic)

At a time when cuts in education expenses are being made, the **less educated and trained** are often the most at risk on the labour market, as lower skilled jobs are cut, often with less job security and protection.

*“High unemployment remains particularly for the group of people with basic education.”
(Czech Republic)*

Migrants and ethnic minorities under threat

Migrants are often the first group affected by the deterioration of the labour market. Undocumented migrants, who previously found work as a “reserve army” particularly in domestic and proximity services, construction and agricultural work, are often the first to be dismissed and now find it harder to make their living on the black market. Some may have to leave, and can no longer support their families by sending money home. For those with families already here, the problems are acute. Documented migrants are also numerous among the unemployed as they are over-represented among precarious workers. Migrants, as well as ethnic minorities, also face increasing discrimination in finding employment. This coincides in some countries like Ireland with the cut back on public initiatives for equality and anti-discrimination.

*“Many European migrants have gone home and inward migration has fallen.”
(EAPN UK)*

*“The most notable risk faced by immigrants is unemployment. Most migrants living under vulnerable situations do not receive the unemployment allowance (8 out of 10).”
(EAPN Spain)*

*“The number of unemployed immigrants out of the labor market has always been proportional unequal. Their situation has become worse during the crises.”
(EAPN Sweden)*

*“Migrants and ethnic minorities are in a very difficult situation especially if they don’t speak enough Dutch, or don’t have enough education/training.”
(EAPN Netherlands)*

3.2.2. The impact of the crisis on women and children

Gender impact

In many countries, industries hiring mostly men (automobile industry, building industry...) have been the first to be hit, in a spectacular way in some countries, and statistics mostly show an increase in men's unemployment. However, the impact of the crisis on women seems to have been under-reported.

Economic sectors hiring more women than men are also being impacted: tourism and leisure, as well as banking and insurances services are suffering from consumption reduction as well as the impact on retail and distribution. Public services, with a high proportion of female staff are being reduced. Women in the service sector, on precarious contracts have been very vulnerable to dismissal, and are big losers in the contraction of undeclared work, particularly in proximity services.

When the man loses his job, many women who bear the primary care responsibilities are pressured into getting full-time jobs, often facing severe challenges in work/family balance, as well as new poverty traps, due to lack of affordable childcare and other services and the restricted chances of finding reasonably paid employment. Many women who have migrated to the EU on the basis of family reunification now face reviews to their resident permit when the man becomes unemployed.

Some members also raise the issue of increasing gender and domestic violence in relation to the deterioration of the social climate. Single parents, (90% of which are women), face particularly severe situations, when they are already one of the groups facing the highest risks of poverty (35%), before the current crisis.

Older women are also particularly at risk. The budgetary implications of the crisis are likely to prompt further moves to limit statutory pensions and accelerate the shift to private funded pensions. This will be particularly detrimental to women, as they rely more heavily than men on statutory pensions, which often make allowances for time spent caring for children or dependent adults. Increasing dependence on private pensions will widen the gender gap, and reduce their chances of receiving an adequate retirement income.

"There seems to be an increase in domestic, gender and urban violence.

According to a Caritas survey, there is a clear increase in the aid demand by women, especially single-parent families, and with problems of reconciling work and family life. There are also immigrant women who have come through processes of family reunification, unemployed women over 40-years old and wives of unemployed husbands, who are no longer working in the domestic service."

(EAPN Spain)

"Shop and leisure workers have been badly hit and these include a high proportion of women workers in their labour force. Other large employers of women are the public services and these will be hit next year".

(EAPN UK)

Children at high risk

Although the eradication of child poverty has been given high priority at EU level¹⁷, family and child benefits, as well as social, health and educational services aiming at improving the well being of children have been cut in a number of countries (see details above). Yet, children are also suffering from the crisis. Not supporting them now will have long term impact. Children are directly impacted by the unemployment of their parents and share increased poverty, as well as a tense and anxious atmosphere. Families' stability can also be jeopardized, with parents unable to afford to raise their children themselves, or public authorities taking children into care because of lack of income. In some Eastern European countries - where emigration can involve leaving children in the care of relatives - is on the rise.

"Increasing children's poverty is amongst the most obvious effects of the crisis."

"There are no programmes to rent or build cheaper flats (e.g. social housing programmes). It makes solving problems of people experiencing poverty very difficult. If they are not able to pay rent they lose their houses and their children are more likely to be sent to children homes. Civic initiatives create programmes helping to prevent institutional education of "social orphans". (EAPN Czech Republic)

"There is new evidence of child abuse in Lithuanian families living abroad."

"In the UK there are fears about new cuts in children services, and social worker bracing themselves for higher caseloads."

(Eurochild)

Main Findings

- The general deterioration of living conditions is increasing poverty and deprivation, tensions, and a climate of hopelessness for the most vulnerable in our society.
- The labour market is excluding first those with precarious contracts and with the weakest link-particularly young and older people, people lacking skills and the long-term unemployed.
- There is less chance for people already excluded from the labour market to find paths towards employment.
- Competition for scarce jobs and resources exposes migrants and ethnic minorities to xenophobic and racist backlash, excluding them further from the labour market and undermining integration.
- Women are specifically vulnerable to the crisis, particularly single mothers.
- Children in poor families are hit very strongly directly as well as indirectly.

¹⁷ EU references

4. NGOs assume increasingly heavy role with shrinking and unstable resources

EAPN member organisations, including European Organisations in membership of EAPN, are facing big increases in demands, at the same time as their resources are threatened.

4.2. Increasing and changing demand

Clearly, more people are knocking at the door of NGOs. New waves of demands relate firstly to **basic support to meet the costs of daily living: food, clothes, shelter, and money to pay the bills**. The demand addressed to NGOs is also changing, with homeless shelters now facing demands from families, rather than just single people, or mental health services in Latvia seeing a widening of demand.

“There is an increase in the demand for the services of NGOs in all areas. In particular those dealing on the front line with the basic cost of living, providing food and support with bills, also those advising on debt. Groups who face cuts in welfare supports are also seeking advice. “Homeless organisations have had a greatly increased demand for their services as have organisations working with migrant workers and their families.”

(EAPN Ireland)

“In the case of Caritas, there has been a 50% increase in the number of assisted people. If in 2007 there were nearly 400,000 people served through the Home Services and Primary Care, in 2008 the figure had risen to 597,172 persons, an increase of near 200,000 users. Something similar is happening to the Red Cross”.

“Problem addressed by NGOs include a considerable increase of aid in kind (food, clothes, medicines) to cover basic needs as well as financial support.”

(EAPN Spain)

“There is a growing demand for NGO services for especially for social work, support to children education and leisure time activities, but also basic needs like temporary housing, food, clothes.”

(EAPN Denmark)

NGOs are also engaged increasingly with helping people in poverty deal with mounting difficulties related to the **multifaceted impact of the crisis**: for example, specific support to migrants, support in case of family difficulties...Employment services are facing increasing demand, with advice being sought on people’s rights to benefits, in a context where rules are being changed, eligibility conditions tightened and benefits cut. Their advice is also being sought in relation to debt.

“The key implication for us has been the massive increase in demand for our debt services. Our statistics are proving that clients are struggling to meet their commitments particularly with their housing costs. This has led to an increase in demand for our court service representation to help with potential repossessions. The new government initiative (Debt Relief Orders) has increased the clients demand for the service.” (EAPN UK-Wales)

NGOs are assuming an increasing role, due to growing need but also because public authorities are disengaging, and public social services are cut.

“Actually, the pressure to find jobs is shifting from the employment offices to associations of the unemployed. At the same time, conditions for financial support to these associations have been tightened, which means operational limitations”. (EAPN Finland)

“Also due to the Governmental policy NGOs are supposed to provide more social services as a part of a “selling out”, privatization policy”. (EAPN Sweden)

4.3. Shrinking resources

At the same time as NGOs are trying to cushion the social impact of the crisis for people in poverty, their resources are negatively impacted.

“NGOs are supposed to do more for less money”. (EAPN Sweden)

Public subsidies are being reduced

In some cases, budget cuts are also applied to services they provide on behalf of public authorities, with preventative services the first to go.

“According to the law on Social services there are preventive social services (including social inclusion and similar goals) free of charge. Being paid from the state or regional budget the existence of NGOs is endangered because of reduction of budgets – cuts are more likely to be on preventive social services provided by NGOs. On the other hand, the state and region don’t provide preventive social services”. (EAPN Czech Republic)

Decline in private financing – increased privatisation

Most NGOs depend to a greater or lesser degree on private financing – either through donations, or through the management of financial portfolios. Members highlight that this situation is particularly dangerous for small organisations, and accelerates the concentration around a few big NGOs, putting the diversity of the sector at stake. EAPN Spanish and UK members insist that this development is being deliberately stimulated by their government with the aim of further privatization of social services.

“NGOs receive less donations, the amount of donations decreased by 10 to 30%”. (EAPN Belgium)

“The fall in the stock market has badly affected large NGOs’ financial portfolios. Charitable giving including street collections and legacies is down significantly. The government anyway wanted to see mergers and takeovers in the sector to reduce duplication and prepare for big welfare/ employment contracts; there is some restructuring support available from the government office for the third sector. There are redundancies ongoing at most of the large big brand charities. Small grassroots organisations such as the National Group have closed.” (EAPN UK)

Structural Funds failing to deliver on social inclusion¹⁸

The EU has taken significant steps to re-channel Structural Funds in response to the crisis, mainly towards stimulating growth and maintaining employment. Some of our Members have already noticed negative changes due to a focus on maintaining employment at the expense of those furthest from the labour market or equality policies.

“The structural funds had refocused around those who may lose their jobs because of the crisis – but with the danger that those furthest from the labour market will be unaffected.”

(EAPN France)

“There have been some negative changes in terms of equality and social inclusion. Under the European Social Fund increased support for activations policies has been at the expense of measures aiming at mainstreaming equality in the funds, gender equality and supporting disability training.”

(EAPN Ireland)

In some countries, Structural Funds are being used to support core social services which have been traditionally provided by **public authorities**: raising doubts about the long term security of these services.

“Almost every preventative social service is shifted from State budgets to European Structural Funds projects and implemented through public tenders, although it is rather a system social service than an ad hoc innovative project.”

(EAPN Czech Republic)

Negative impact on NGO services

Some NGOs have been obliged to cut the support they were providing. The majority of them are concerned about not being able to maintain the quality of the support they provide to people in need. The cuts in funding has made their advocacy and networking work even more difficult.

“Organisations report about increasing needs and wonder how they can find the means to address them.”

(EAPN France)

“Problems faced by social NGOs include saturation of many services and inability to perform an accompaniment to individuals and families.”

(EAPN Spain)

“Despite the increased demand there have been big cuts to the state support for NGOs and other funding lines from private sources are also drying up. NGOs have had between 8-16% cuts to their funding from Government. This is going to increase and there are proposals for major cuts to funding to NGOs at national and local level.

Many NGOs have staff on protective notice and have had to cut services including those targeted at addressing drug addiction, support for at-risk families, etc.

Before the current crisis the Government has already been imposing greater conditionality on NGOs forcing greater service delivery over advocacy work and now restricting networking activities. This has also been impacted on by cuts to budgets.”

(EAPN Ireland)

¹⁸ See recent EAPN publication related to Structural Funds, stressing the crucial need to strengthen the link between Social Inclusion and Structural Funds, which is currently clearly insufficient on EAPN website: [EAPN - European Anti-Poverty Network - EAPN calls for reinforcing Social Inclusion in Structural Funds](#)

Main Findings

- NGOs face growing, as well as changing demands; both for basic daily support as well as new needs arising from the crisis.
- Instead of receiving increased funding, NGOs face unacceptable cuts in public subsidies and contracts, as well as a decrease in private funding and donations.
- As a result, NGOs are facing tremendous difficulties to fulfill their role.
- Structural Funds are not helping this situation: as they are difficult to access by NGOs and are being used by governments primarily to maintain existing jobs.
- Increasingly Structural Funds are being used to fill the gap in public funding of social services, and underpin a general long-term shift towards privatization of the sector.

5. People in poverty and anti-poverty NGOs - part of the solution for a sustainable recovery

Most member states are announcing that they are on the road to recovery. In reality, NGOs warn that the recovery packages and “exit strategies” are not protecting the most vulnerable. More importantly, they risk undermining our social protection systems and social cohesion for the foreseeable future. No recovery plan can solve all problems, but political decisions are being made about who benefits and who loses from these plans. It is the responsibility of governments and the EU to ensure that the poor do not pay most. A commitment to achieve sustainable recovery, which ensures inclusion and reduces poverty and inequality should be the objective of all “exit strategies”. Success in these terms will depend on how far a partnership with anti-poverty NGO’s and other key stakeholders can be built, counting on the views and needs of people facing poverty.

5.1. Key NGO Role: services and advocacy

Social NGOs play multiple roles in the crisis: providing services to people in need, and playing an advocacy role to get the voice and needs of people in poverty heard

NGOs working with people experiencing poverty are **key actors** in the **management of the crisis**:

- through the material support they provide they cushion the impact of the crisis on people;
- through counseling and other direct services they contribute to the implementation of social protection and employment policies; they have an expertise and know what’s working and what’s not;
- because of their advocacy role: they are at the forefront of the fight against poverty, they are able to analyze the complex consequences of the crisis on specific groups.

Social NGOs also play a major role in voicing the concerns and interests of the most vulnerable, defending a rights-based approach and supporting the empowerment and direct voice of people in poverty themselves. Despite the pressure they are under, EAPN members strongly affirm the particular importance of their **advocacy role** in times like these.

“Welfare and voluntary organisations must put pressure on the government to meet Germany’s claim of being (and remaining) a Welfare State.

Stress has been and will be put, among other things, on issues like:

Measuring the effects of the crisis and of recovery efforts against the principles of social justice and of equity, assisting in particular people depending on the social system and the most vulnerable;

Acknowledging the special role of civil society, of welfare organisations and of social economy as well as of voluntary engagement”(…)

“Monitoring, and securing, that sufficient public investment is spent on social structure domains”.

(EAPN Germany)

But few governments engage NGOs in dialogue on the crisis

Only in a limited number of countries has a structured dialogue involving NGOs on the crisis has been developed. It has been established in Spain, and is likely to be in Belgium. It has started in Ireland but has failed to find common ground. Most often, NGOs are kept out of the discussion. In the case of Eastern European governments who have been driven to take loans from the IMF and the Commission, the lack of transparency and democratic debate are particularly striking.

“The most outstanding element in this process could be that social NGOs have become a partner in the Government dialogue body on social policy. The success elements are basically those related to the increase in governance. But this may not be a big deal...”

(EAPN Spain)

“The Government’s vision regarding reforms is seen as unclear, if not unreasoned and chaotic. People ignored the intended measures of the Government to meet IMF and EC requirements until the June 2009 local elections, after which Prime Minister Dombrovskis declared that the State budget had to be cut by more than 600 million LVL.”

(EAPN Latvia)

“Social Partnership talks on the crisis which broke down in January have restarted in late October but apart from the general framework agreed early in 2009 there is no clear agreement on a way forward. Social NGOs are one pillar in this process but have much less influence than unions and employer organizations.”

(EAPN Ireland)

“The Flemish network is lobbying to be part of the regional employment conference to be held in December 2009 and is lobbying for an extra job and mediation programme for people experiencing poverty.”

(EAPN Belgium)

Mobilization of anti-poverty NGOs

Most anti-poverty NGOs are raising their concerns about the social impact of the crisis, individually or with other NGOs as part of EAPN networks, or as members of wider alliances. Many are working also with academic institutions. Their action takes different forms. EAPN members make detailed proposals in relation to the management of the crisis. They also use the national level of EU processes such as the National Action Plans for Social Protection and Social Inclusion or the National Recovery Plan part of the Lisbon strategy to share their expertise. Most are engaged in preparation of the 2010 Year against poverty and social exclusion. Some adopt a more dynamic campaigning approach aimed at raising awareness in public opinion.

“We are intensifying our efforts to prepare the EY 2010 aiming at sensitising the public to the topic “poverty” and claiming a shared responsibility in the fight against poverty and social exclusion. In such a vein, we have participated in discussing and shaping the National Strategic Programme.”

(EAPN Germany)

“We have submitted to the government a Pact for Jobs and Social Inclusion, including a series of measures regarding social protection, employment and social services”

(EAPN Spain)

“Some NGOs are putting together their responses to the McCarthy report, which proposes major cuts to public expenditure, and preparing pre-budget submissions. A coalition to fight the welfare cuts has been started called ‘The poor can’t pay’ (www.thepoorcantpay.ie). NGOs have also been involved with unions in organizing major street protests about the cuts and their impact on marginalized communities, including one involving 15,000 people in September.” (EAPN Ireland)

“At the moment, a project supported by the Progress programme, entitled “Development of informed and participative approach to understanding, evaluation and creation of National Action Plan of Social Inclusion in the Czech Republic” (shortly NAPSI together!) constitutes an attempt to change formal features of national strategic document and to give it a more important role in the society. On this attempt NGOs, academic sphere, MOLSA and university are working together.” (EAPN Czech Republic)

Common demands shared with Trade-Unions

Many Trade-Unions are actively defending social rights, refuting employers’ call for less taxes and labour market regulation, Members highlight examples across the EU; such as the level of unemployment benefits (Finland), better employment protection for precarious workers (Germany), insisting on social solidarity values (Ireland), specific focus on access of youth to employment (Belgium), challenging the priority given to budget recovery (UK).

However, some members regret that Trade-Unions too often appear to defend only the interests of people already in employment, rather than a broader and inclusive approach.

“Trade Unions are part of the Social Dialogue Initiative, together with the Government and the big corporations. However, there is a generalized perception that they may be too far from the needs and circumstances of the most vulnerable people, who may not be their clients (pensioners, irregular migrants, self-employed workers, etc.”

(EAPN Spain)

5.2. Member's Proposals

Members' proposals reflect the varied impacts of the crisis and different recovery policies at national level. **They do, however, share strong common demands:**

Tackling the causes as well as the consequences of the crisis

For most EAPN members, it is not sufficient to deal with the crisis without finding out what caused it and how to prevent it happening again. They question the current model of growth and make the link with the unfair distribution of wealth and growing inequalities. Some underline that not all EU countries are affected to the same degree, depending on the policy choices they have made. For example Poland appears to have escaped the worst effects of the crisis, largely because they did not have a highly developed banking system nor pursue so strongly de-regulation.

"The Belgian Network wants an exhaustive evaluation of the actual economic system. The measures proposed by the Belgian State (and also by other member states) are too much focused only on a better control of the financial sector and for the rest the same economic measures as for the "jobs and growth" strategy like before... business as usual."
(EAPN Belgium)

"We have been demanding a change in the Social Protection System from insurance pattern to a tax funded system; a social real estate agency; an institutional Poverty Proofing of all new measures."
(EAPN Luxembourg)

An open debate on alternative exit strategies

Members defend alternative strategies for tackling the crisis, based on a more flexible approach to public deficits, and a more redistributive tax system, which will ensure the poor do not pay for the crisis, reducing the inequality gap. They reject proposals to cut social protection as deliberate decisions to aggravate the impact on the poor, risking social cohesion. They say it's time to **reinforce social protection and invest in universal services not only as 'automatic stabilisers' but as the most effective and efficient way to reinforce social cohesion and build a more sustainable model of prosperity.**

*"To articulate a basic legal framework to guarantee the same Guaranteed Minimum Income scheme for the entire territory,
To expand the existing protective system,
The minimum income is to be managed so that it is a step in the process of integration,
Coordination between central state and regional governments is essential."*
(Proposals included in EAPN Spain's Proposal for a Pact for Jobs and Social Inclusion)

They demand that **the most vulnerable should be most protected** as they are the most badly hit by the crisis; increased budgets should be devoted to emergency support, as well as social policies, including the delivery of services.

They refuse to accept that unemployment is solved through increased precarity. The **promotion of decent work is needed more than ever**, and public initiatives in partnership with social economy actors should be developed for job creation.

They want governments to put values and rights at the centre of their approach to the crisis, ensuring that short term options dictated by the strongest interests, do not undermine a long-term vision.

“The value of social cohesion can hardly be over-estimated even at the best of times – needless to say it should be even more in the focus at the time of crisis.”

(EAPN Finland)

Main Findings

- Without social NGOs providing material support and counsel to people hit by the crisis, the consequences of the economic downturn and recovery policies would have been even more dramatic. However, they can no longer address increasing needs with shrinking resources: it is urgent that they are given the means to fulfill their mission.
- Social NGOs have a specific expertise to share about the consequence of the crisis on the people in poverty: if we want a sustainable recovery, they must be listened to.
- People in poverty are part of the solution - giving a voice to people in poverty and ensuring that a real dialogue takes place with those most affected by the crisis, is essential to forge credible and effective long-term solutions.
- Despite the energy spent by social NGOs to get their message through, the reality is that most recovery plans and exit strategies are being shaped behind closed doors, without civil society or people in poverty being involved. An open stakeholder debate on the full social impact of the crisis is urgent now.
- Social NGOs demand that an alternative approach to the crisis is shared at the EU level. The reasons for the crisis must be assessed and discussed. Sacrificing social protection will only jeopardize social cohesion and create conditions for a bigger crisis in the future. A sustainable recovery should be built on ambitious public investment, the reinforcement of social protection and the development of decent work.

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For more information see:

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