

17 March 2011

To: EU Prime Ministers and Heads of State
Refer: Spring European Council 24-25 March 2011

The 'Economic Governance Package' and the 'Pact for the Euro' by prioritising economic governance over social governance represent a fundamental attack on social rights

Dear Prime Minister,

The Spring Council is due to discuss the proposals on EU Economic Governance and the Europe 2020 strategy, which should involve reflecting on progress towards the 5 agreed priority targets – including the commitment to reduce poverty and social exclusion by at least 20 million by 2020.

EAPN wishes to express its **alarm** at the current discussions taking place on **Economic Governance**, without adequate public and democratic scrutiny and without a proper assessment of its social impact. Our concern emerges from the Conclusions of the meeting of Heads of State in the Euro Area regarding the proposed **Reform of the Stability and Growth Pact** and the **Pact for the Euro**. This separation of Economic and Social Governance is in direct contradiction with the vision expressed in the Europe 2020 strategy. It risks undermining the **European Social Model** and the potential of a **sustainable recovery** from the crisis and undermines confidence in our **democratic accountability** procedures. These proposals are in line with measures already enforced in member states that are in receipt of EU rescue packages (e.g. Ireland, Latvia, Bulgaria, Greece, etc.) and where EAPN national networks are already highlighting the short and long-term negative social and economic consequences of such policies.

In light of these concerns EAPN calls on the Spring Council to:

- 1) **Make explicit the commitment to fair, inclusive growth and the need to balance economic governance with the protection and development of social rights:**
 - Agree as urgent that a social impact assessment, implementing Article 9 TFEU, be applied to all relevant EU policy proposals including EU economic governance proposals that assess how the proposal will contribute to, or undermine, progress towards meeting the agreed poverty reduction target.
 - Hold public hearings on the results involving the European Parliament, civil society, social partners and other key stakeholders.
 - Insist that any scoreboard mechanisms in the 'Pact for the Euro', and the 'Europe 2020' strategy should evaluate social as well as economic criteria.

2) **Set an ambitious agenda for social Europe which promotes investment in recovery and restores confidence in the EU as a promoter of social rights:**

- Invest in adequate social protection and minimum income systems and services, promote integrated active inclusion approaches, take pro-active measures to reduce discrimination and inequality and create quality sustainable jobs, to provide a springboard for recovery and a floor for the economy based on social rights.
- Set ambitious national poverty targets and coherent measures reflecting the above priorities to achieve them.
- Ensure that these priorities are reflected in National Reform Programmes, and mainstreamed across the macro-economic, environment, employment and social inclusion pillars.

3) **Increase transparency and democratic accountability:**

- Publish electronically all Council documents related to economic governance and enable public debate.
- Hold a referendum on the economic governance proposals.
- Insist on stakeholder involvement in strategic debates, as well as in the development, implementation and monitoring of National Reform Programmes, that includes NGOs and people experiencing poverty and respects Recital 16 in the Integrated Guidelines and agree obligatory guidelines for stakeholder involvement.

4) **Back an explicit reinforced social pillar in the Europe 2020 strategy with a reinforced Social OMC delivering a strategy for Social Protection and Social Inclusion:**

- Recognize that the Social dimension of the Europe 2020 strategy needs urgent reinforcement through the strengthening of the Social OMC, based on the already agreed objectives and adjusted to take into consideration the Europe 2020 strategy and the Platform against Poverty.
- Support as a key element of the Social OMC, the development of national strategies for social protection and social inclusion developed together with national stakeholders (including people experiencing poverty and NGOs) in National Platforms against Poverty. These strategies should: 1) follow up priorities already identified in the social OMC, 2) build links to the commitments in the Platform against Poverty and 3) underpin and make more effective the social input in the National Reform Programmes.

These proposals are based on the following EAPN concerns:

- **The role of the EU in pressing to reduce deficits in a manner that leads to cutting public services and social benefits:** The current proposals (11 and 15 March) press for sanctions on member states with debt above 60% of GDP as well as deficits above 3%. They demand reduction measures primarily through expenditure cuts on public services and social protection/minimum income systems and accepting only tax increases which enhance growth often at the expense of the poor eg VAT increases which falls disproportionately on the poor rather than reducing the gap between rich and poor. *This will further penalize the poor, already paying the burden of the crisis¹ and risks generating more poverty, exclusion and inequality. It will undermine universal services and the social protection, social inclusion model, undermining the positive role they play*

¹ See EAPN's Crisis Update Report 2011: Is the EU Project going backwards (Feb 2011)

as an economic and social stabiliser and the contribution they make to a sustainable recovery.

- **EU pressure to promote competitiveness by wage restraint:** Increased surveillance of economic policies is proposed to reduce “macroeconomic imbalances”- monitoring the evolution of unit labour costs in line with productivity and encouraging decoupling wages from inflation, introducing a new sanctions process *This not only undermines the EU’s commitment to respect national collective bargaining mechanisms but will increase the number of working poor through cuts in real wage levels (already 8% of workers are in or a risk of poverty) and undermining commitments to quality of work which provides for a sustainable labour market.*
- **EU threat to democracy and solidarity:** The decision to introduce a “reversed majority rule” when deciding on “excessive imbalance and excessive deficit procedures”, would seem to fundamentally challenge the democratic principles of the EU. *With such a rule it appears that a minority of powerful EU countries will be able to impose sanctions on the majority, regardless of their different needs or social and economic situations. This will undermine the needed vital solidarity between countries and people. The fact that such far reaching proposals have not been made transparently and are not the subject of public debate and democratic accountability is likely to undermine respect for our democratic institutions. This is also likely to reduce citizen’s confidence in the EU which is already witnessing record low levels (down 8% points to 42% in the latest Eurobarometer poll).*
- **Failure to set National Poverty Targets and ensure a balanced economic and social vision in Europe 2020:** The Europe 2020 strategy is currently failing to use its potential to ensure that “economic growth goes together with social cohesion”, as promised by the Annual Progress Report. *Not all Member States have set national targets to reduce poverty, and those that have lack ambition, as highlighted by the Social Protection Committee² and confirmed by the recent EPSCO meeting when it confirmed that “the Social dimension of the Annual Growth Survey could be strengthened” and “calls on member states to set ambitious targets”³ Moreover, the majority of National Reform Programme’s fail to mainstream the social dimension or to provide coherent integrated approaches to reduce poverty and social exclusion with social concerns confined to the section on guideline 10. This undermines; the commitments made in launching the strategy to promote inclusive growth and defend rights and the EU’s own treaty commitments, particularly with regard to the Charter of Fundamental Rights and to the social mainstreaming required by Article 9, TFEU⁴.*
- **The lack of recognition of the need for a strong social pillar in the Europe 2020 strategy:** The Social OMC has played a key role in providing comprehensive, multidimensional approaches for preventing as well as alleviating poverty and social exclusion, based on agreed Common Objectives of (2006), and developed through

² SPC Report on the Social Dimension of the Europe 2020 strategy (March 2011)

³ Press Release: EPSCO Council 7 March 2011 (7360/11)

⁴ “in defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion and a high level of education, training and protection of human health (Article 9, TFEU)

comprehensive National Strategies on Social Protection and Social Inclusion. The future of the Social OMC is now questioned and there is a real danger to lose a common strategy based on comprehensive and integrated national strategies. *This represents a major set back for the social pillar and is particularly worrying at a time when the economic strategy is undercutting social objectives.*

Regaining the trust of EU citizens and residents at this crucial moment, will largely depend on whether the European Council can convince citizens that the European Union is a protector and promoter of all human rights including, economic and social rights. The decisions you make at this Council meeting will be crucial in this regard.

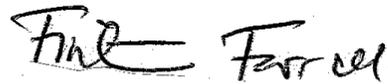
We hope that you will take on board our comments and take action to turn back the tide, investing in a strategy for fair, inclusive growth, quality jobs and services, strong social protection and social inclusion systems, and preventing long-term damage to the EU project and the European Social Model.

We welcome any opportunity to engage in dialogue with you on these important issues.

Yours faithfully,



Ludo Horemans
President



Fintan Farrell
Director

Cc:

President Rompuy, President of the European Council
President Buzek, President of the European Parliament
President Barroso, President of the European Commission

See:

- EAPN's Response to the Draft Joint Employment Report here:
<http://www.eapn.eu/images/stories/docs/EAPN-position-papers-and-reports/2011-EAPN-response-to-Draft-Employment-Report-2010.pdf>
- EAPN's report: *Is the European Project moving backwards: the social impact of the crisis and of the recovery policies in 2010* here:
<http://www.eapn.eu/images/stories/docs/EAPN-position-papers-and-reports/crisis-report-2011-en.pdf>
- EAPN letter to the EPSCO – March 7th 2011
<http://www.eapn.eu/images/stories/docs/EAPN-position-papers-and-reports/2011-letter-to-epsco-07-03.pdf>