



9 November 2011

To: President Barroso

Refer: Adoption of the Annual Growth Survey: Make reducing poverty and inequality a key driver for Inclusive Recovery and Growth

Dear President Barroso,

The European Commission is due to adopt the new **Annual Growth Survey (AGS)** on 23 November, launching the new Economic Semester and next phase of the Europe 2020 strategy. EAPN asks that you ensure that **reducing poverty and inequality**, as a key driver for Inclusive Recovery and Growth, is given central importance in the new AGS.

The AGS will be adopted in a **context of an escalating financial, economic and social crisis**, with increasing poverty and exclusion and mounting fear and insecurity amongst ordinary people. Confidence in the EU is deteriorating as the **austerity first approach** is shown manifestly not to work and is driving people into poverty and increasing precariousness. EAPN argues that it is time for a new approach based on a **new Social Investment Stimulus package** (a New Deal) that is capable to restore confidence in the economy and in the EU and ensures the necessary public support to find a positive way forward from the current situation. In this letter EAPN presents, for your consideration, its contribution to this positive way forward.

It is important that the AGS recognises the failure, so far, of Europe 2020 to deliver on the poverty target and the inclusive growth objective. In October 2011, EAPN published, based on a survey of our member's and a score board mechanism, its assessment of the National Reform Programmes¹. The overwhelming message was one of **disappointment and anger** at the failure: to set adequate poverty targets at least in line with the agreed target (8 million short currently), to establish adequate integrated policy responses to ensure effective poverty reduction, to use EU and national funding to finance poverty reduction and prevention, and to meaningfully engage stakeholders beyond minimum levels.

Our members warn that **the dominance of the macro-economic agenda**, driven by EU economic governance focussed on reducing public debt and deficits through austerity measures is directly responsible for generating more poverty and social exclusion and widening the existing inequality gap.² This view is also reflected in the assessment of the EU

¹ EAPN (Nov 2011): Deliver Inclusive Growth – Put the heart back in Europe: EAPN Analysis of the 2011 National Reform Programmes (NRPs), in Europe 2020

² For example: The Irish NRP directly recognizes the negative impact of Government policy changing the social welfare systems and child income support, whilst UK independent estimates suggest income poverty will increase by up to 800.000 by 2014

Network of Independent Social Inclusion Experts³, who highlight “a dominant theme in the NRPs is to diminish public finance deficit and support economic growth and in these circumstances social inclusion issues often take on a very subsidiary or minor role”.

These fears are now starting to be confirmed by the latest social data,⁴ **with increases in risk of poverty** – particularly in Spain and Slovenia, increasing **severe material deprivation** in countries like Latvia and Lithuania (5.5 percentage points), and increasing risk of **poverty and social exclusion for children** in many Member States and mounting problems in Greece and other countries. According to the latest Gallop polls⁵, the percentage of people finding it **difficult or very difficult to live on their current income** has also increased from 2007 to 2010 by 10% in Ireland and Hungary, 11% in Spain, and 20% in Greece. Meanwhile, the latest Eurobarometer survey⁶ confirms that 79% of people in the EU consider that Europe 2020 should be putting poverty and social exclusion as the top priority to exit from the crisis. Given these realities and expectations, why are our European leaders failing to respond to the expressed wishes and concerns of the people?

The impact on inequality causes huge concerns, this is now been recognised, even by many super wealthy people and by some of those who took part in the recent G20⁷ meeting. According to the 2011 OECD report “Society at a glance: social indicators”, income inequality is rising in *almost all OECD countries*, including countries like Denmark, Sweden and Germany. The OECD also underlines the crucial role of reducing inequality in income distribution as a crucial determinant of sustainable growth - a 10% decrease in inequality, at Gini coefficient values, generated a 50% increase in the expected length of growth. The widening inequality gap is leading to the dismantlement of our European Social Model, it is untenable, and it undermines a sustainable recovery.

Why tackling poverty and inequality must be at the heart of the recovery:

- Poverty is increasing because of the current responses to the crisis with it’s’ focus on austerity measures driving more people into hardship and despair which will result in increasing long-term social, health, and economic costs.⁸
- Social Protection and Social Welfare systems has been widely acknowledged as an effective economic stabiliser, but rather than been seen as an effective investment to deal with the crisis they have been undermined by the ‘austerity first’ approach. It needs to be recognised that economic recovery and growth depends on increasing consumption and domestic demand, investing in social protection and social welfare (in particular adequate minimum income schemes) is a significant way to increase domestic demand as people in poverty have no alternative but to spend on basic goods and services. In addition the positive impact of a strong defence of our social protection systems in relation to building confidence and trust among the citizens should not be over looked.
- More equal societies almost always perform better for everybody.⁹ Investing in closing the inequality gap benefits the whole society and reduces social and health costs. The

³ EU Network of Independent Experts on Social Inclusion: Assessment of Progress towards the Europe 2020 Social Inclusion objectives (Sept 2011)

⁴ Eurostat data Highlighted in the SPC’s 2011 opinion on the Europe 2020 Social dimension

⁵ Gallup World Poll 2010, quoted in OECD: Society at a glance 2011: social indicators.

⁶ Eurobarometer 75: European’s Perceptions on the state of the economy p.16.

⁷ Pre-G20 Interviews on BBC World News

⁸ Marmot WHO Review of Social Determinants of Health - 2010

⁹ Wilkinson R and Pickett K: The Spirit Level (2009)

inequality/poverty gap is widely seen as unjust and unfair, with the poor being made to pay the price for the excesses of the bankers and the wealthy.

- Rejection of the increasing gap is at the root of increasing social unrest and loss of confidence in the existing democratic process, with doubts about the EU role. This is threatening the stability and security of the EU and the current social model.

The AGS must seize the opportunity to **restore confidence in the EU**, demonstrating that recovery and growth cannot be delivered through austerity and on the backs of the 'poor'. The AGS must give priority to developing a balanced economic and socially inclusive Europe 2020, providing a **new stimulus package** that can reduce poverty and support active inclusion, close the inequality gap through redistributive measures, and promote democratic accountability and participation, as a pre-requisite for recovery.

5 PRIORITIES FOR ACTION

1. Prioritize inclusive recovery and growth through poverty reduction!

- Establish the poverty target and reducing inequality as a pre-requisite for inclusive recovery and growth, ensuring a common % reduction on all 3 agreed indicators, with specific sub-targets for key priority groups – eg children, older people, but also migrants and ethnic minorities.
- Support the development of national strategies for social protection and social inclusion, to provide more coherent, integrated multidimensional approaches that would underpin policies to reach the poverty reduction target in the NRP.
- Ensure progress and implementation of previously agreed priorities in relation to child poverty, homelessness and implementation of the Active Inclusion Recommendation.
- Carry out an urgent and more systematic social impact assessment of the policy responses to the crisis and the austerity measures, including on economic governance and the Euro Plus Pact, assessing the long-term social and economic costs and make it a subject of the annual review of the social dimension of Europe 2020¹⁰ and the subject of a thematic debate at the European Council.
- Mainstream poverty and inequality reduction in the European Semester, in all sections of the NRP and monitor the contribution of all policies, including all Flagship Initiatives, in relation to their contribution to poverty reduction. Encourage Member States to spell out more clearly how policies will deliver on the poverty reduction target, particularly through the implementation of the Active Inclusion Recommendation. Monitor results using the Joint Assessment Framework and ensure in the country-specific recommendations at least one recommendation clearly aimed at delivery of the poverty reduction target, including for countries receiving bail-outs.
- Go beyond a focus on growth and GDP to invest in pro-social/developmental approaches, aimed at addressing poverty and social exclusion and promoting more equal societies.

2. Kick-start an inclusive recovery!

- Give priority to a social investment stimulus package (a New Deal) that supports active inclusion, throughout the life cycle.

¹⁰ Ref: Independent Social Inclusion Experts Report on the NRPs (Sept 2011).

- Respond to green and social needs by maintaining and creating quality jobs while addressing discrimination (including age based discrimination) and ensuring access for excluded groups by providing personalized approaches and supporting the social economy.
- Red-line and strengthen adequate social protection and minimum income for all groups to ensure a social floor.
- Invest in accessible public services including: housing, education, health and long-term care, energy, transport,...).
- Promote gender equality and tackle all forms of discrimination.

3. Close the inequality gap!

- Recognize growing inequality as a key bottleneck to inclusive growth and recovery and visibly monitor trends based on the Gini co-efficient and the 20 - 80% quintile.
- Propose measures to address social polarisation leading to reducing income and wealth inequalities.
- Require Member States to prevent austerity measures which contribute to widening the gap, and increase revenue through measures to tackle tax evasion and avoidance, regulation to make financial systems more sustainable and the development of a more progressive and equality based tax system.
- Back the proposed Financial Transaction Tax and ensure its use for combating poverty and social exclusion in the EU and the 'developing' world.

4. Use EU funds to reduce poverty!

- Reject the proposed 5% cuts in Cohesion Funds and support the ring-fencing of 20% of the ESF for tackling poverty and social exclusion. Establish clear Commission guidelines on how this should be done, particularly through integrated Active Inclusion approaches.
- Tackling poverty has to be seen as a way to foster every other growth objective in Cohesion policy.
- Show solidarity with poorer regions, not inflict a double penalty – don't use macro-economic conditionality.
- Require funding to be made accessible to small grass-root NGOs, to develop bottom-up initiatives, particularly through global grants and technical assistance mechanisms.
- Develop a social inclusion mainstreaming clause and embed effective evaluation systems, to assess how effectively funds have been used to deliver on poverty and social exclusion, urging greater transparency from managing authorities.

5. Get serious about democratic accountability and participation!

- Implement Recital 16 for a partnership approach and develop detailed obligatory guidelines to embed meaningful engagement of anti-poverty NGOs (and other stakeholders) in all stages of the NRP (design, implementation and evaluation) and in all areas (macroeconomic, employment and social), as well as in the national strategic reports on social protection and social inclusion, to underpin the social dimension of the

NRP.

- Mobilise appropriate financial instruments to enable regular structured dialogue and support the development of national anti-poverty platforms and forums including financial support to enable the engagement of anti-poverty NGOs. European Funds should be used to support the development of this infrastructure.
- Recommend that the AGS and key recommendations of Europe 2020 and the Economic Semester be subject to democratic debate in National and European Parliaments, with a yearly debate on progress (including on the poverty target) and the contribution of the overall Strategy to advance inclusive growth. The outcomes of the Annual Convention under the European Platform Against Poverty should contribute to these debates.

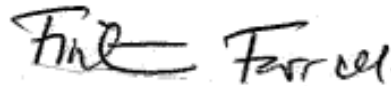
We urge you to seize this opportunity to build a new inclusive agenda for Europe 2020 and not just business as usual, which will only drive Europe into a deeper recession with the 'poor' paying the price. Another way forward is possible.

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

Yours faithfully,



Ludo Horemans
President



Fintan Farrell
Director

Cc:

President Van Rompuy, President of the European Council
President Buzek, President of the European Parliament
President Tusk, President of the Council of the European Union

See:

- EAPN NRP report: *Deliver Inclusive Growth- put the heart back into Europe: EAPN analysis of the 2011 NRPs in Europe 2020 (November 2011)*: <http://www.eapn.eu/index.php/en/news-a-events/publications/eapn-position-papers-and-reports/2821-eapn-report-deliver-inclusive-growth-put-the-heart-back-in-europe>
- 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>