

# **EAPN Response to the Annual Growth Survey Package 2015 *Fresh start or broken promises?***

## **KEY MESSAGES**

- 1. DEMONSTRATE EUROPE 2020 IS STILL RELEVANT WITH POVERTY TARGET AT CENTRE**
- 2. PUBLIC INVESTMENT NEEDED TO ENSURE QUALITY JOBS, ALSO IN SERVICE SECTOR**
- 3. JOBS ALONE ARE NOT A SUFFICIENT ANSWER TO POVERTY! INVEST IN SOCIAL PROTECTION AND SERVICES**
- 4. REINFORCE SOCIAL STANDARDS, NOT AUSTERITY AND A COMPETITIVE RACE TO THE BOTTOM**
- 5. PUT SOCIAL AND ECONOMIC INDICATORS ON A PAR, WITH IMPACT ON POLICY**
- 6. MAKE CIVIL SOCIETY PARTNERS TO DESIGN AND MONITOR POLICY NOT JUST IMPLEMENTATION**

## Introduction

**EAPN is the largest network of grass-root antipoverty organizations in the EU. This paper sets out EAPN's response, based on its discussions with its members.**

The Annual Growth Survey 2015 was adopted by the Commission on Friday 28<sup>th</sup> November, launching the 2015 European Semester cycle. The AGS talks of a 'fresh start' to deliver on Commission President J. C. Juncker's proposals of 'Jobs, Growth, Fairness and Democratic Change', but much of what is proposed seems business as usual on 'Growth and Jobs', with a new focus on mainly private investment only within a continuing package of restructuring labour markets and austerity measures. The Commission's priority is to revitalize growth and to create more jobs but it is not clear how this will work, what kind of jobs it will create, and why poverty, Europe 2020 and the targets have disappeared from the horizon. In this paper we set out our concerns regarding the AGS Communication and the Joint Employment Report.

The Commission sets out **three priorities for the AGS 2015**:

- 1) A coordinated boost to investment: introducing the 315 bn Euro Investment plan which mobilizes mainly private sector investment over the period 2015-17
- 2) A renewed commitment to structural reforms – ie to boost the internal market, liberalisation and privatisation agenda particularly in services
- 3) Pursuing fiscal responsibility – continued fiscal consolidation with a little more flexibility on delivery on the deficits and debt.

Within these priorities, Europe 2020, the social dimension and in particular the poverty target, seem completely invisible. The main assumption is that market-led investment in privatising and liberalising services will lead to growth and jobs, with a trickle-down effect on poverty, although indeed poverty is only mentioned once as an afterthought. Years of record growth and employment under Lisbon have demonstrated that this is not the case.

## What Opportunities?

The AGS 2015 offers a few positive references and opportunities which should be seized:

- A commitment to **investment** and to stimulate the creation of **more and better** jobs.
- The importance of **increasing "ownership and accountability"** with the involvement of national parliaments, social partners and stakeholders including civil society.
- More **flexibility allowed on austerity** measures, encouraging more demand-side measures where progress on the deficit is made.
- The priority given to long-term unemployment and **youth** - the implementation of the youth employment initiative and the call for integrated approaches which "combine adequate income replacement with activating and enabling services targeted at individual needs".
- The call to preserve the **adequacy of pension** systems to ensure a decent level of income, although linked to raising retirement ages.

- The recognition of need for **adequate social protection systems, at all stages of a person's life**, complemented by affordable quality childcare and education, prevention of early school leaving, housing supporting and accessible health care.
- The recognition that **welfare systems should play their role to combat poverty** and foster social inclusion.
- The call to **broaden tax** bases, enhance transparency and improve tax compliance to tackle evasion and avoidance as well as to take account of distributional impact.
- The commitment to **monitor social progress** and impact of reforms over time, introducing the employment and social indicators into the macroeconomic imbalances procedure to understand better risks.

However, these few positive pointers are strongly outweighed by the overriding and familiar message of growth and jobs, continued austerity, restructuring and de-regulation, with poverty and the social dimension of Europe 2020 almost invisible.

## Key Concerns

### 1. Demonstrate that Europe 2020 is still relevant with the poverty target at centre

The AGS 2015 makes almost no reference to Europe 2020 and the key targets, particularly the poverty, employment and education targets. The focus is on growth that *may* lead to jobs, that *may* lead to poverty reduction, as a simple re-assertion of trickle-down theory that has been proven not to work on its own. The loss of the specific priority 4 from the AGS 2013 and 2014 (tackling unemployment and the social impact of the crisis) is also a major and surprising step backward, with the loss of detail on social policies to support delivery on the poverty, employment and education targets. It is difficult to see how the Mid-Term Review of Europe 2020 will link to these new priorities, and raises serious fears that the Commission is preparing to ditch Europe 2020 and its targets.

- *Make an explicit commitment to mainstream Europe 2020 and the poverty and other social targets into the new priorities and Semester process. Otherwise the EU risks to deepen the unacceptable breach of trust with EU citizens on its commitments on poverty reduction, inclusive and sustainable growth, which will severely undermine the credibility of the new Commission's claim to be the social face of the EU.*

### 2. Public investment needed to ensure quality jobs + employment, also in social sector

The shift to investment is broadly welcomed, but the narrowness of the scope of the 315 bn EU investment package, and lack of detail on how 'better jobs' will be created, raises strong concerns. Hope is placed in the market, rather than public responsibility. The investment plan is mainly about leveraging private rather than public funds, with very little new money. Most public money comes from existing Structural and Investment

Funds. For EAPN, it is not clear *how many* jobs will be created, how *quality* jobs will be ensured and what will be done to *ensure people who are currently excluded* from the labour market can get access. Investments are prioritised in large multi-national network and construction industries, and the health sector, where the EU is driving 'greater budget efficiency' through its CSRs, reducing costs on employment, particularly through promoting e-health. This does little to convince EAPN that the EU Investment Package will result in long-term, sustainable or quality jobs, or how this will contribute to reducing poverty. The lack of investment in the social services as well as the health sector, or mention of support to social enterprises and economy, WISE (Work Integration Social Enterprises) and NGO services, is a missed opportunity to support vital social investment in people-centred services; affordable, energy-efficient housing, as well as personalized and integrated employment/training and social services support. The use of 'existing' European Structural and Investment Funds raises serious concerns about whether the 20% of ESF to be spent on social inclusion and poverty will now be diverted into these 'new projects' undermining support to grass-roots antipoverty initiatives, and without safeguards of delivery on poverty.

- *The criteria for selection of the investment 'projects' and the 20% conditionality on poverty in ESF, must be transparently monitored by the European Parliament, Social Ministries and DG Employment together with stakeholders to ensure it delivers on its promises of quality jobs and on poverty reduction.*

### **3. Jobs alone are not a sufficient answer to poverty! Investment in social protection and services.**

The Commission's presentation in the AGS replaces 'social' with jobs. A job's alone approach has never been an adequate strategy for fighting poverty. It fails to build on the Commission's own Recommendations in this area: including the follow up on the Commission's Active Inclusion Recommendation in the Social Investment Package (SIP). The SIP underlines the importance of integrated strategies which support inclusive labour markets, but ensure guaranteed income support to people who can't work or access decent jobs, through adequate minimum income and social protection support, combined with access to quality services (particularly housing, education, childcare/and early learning, but also affordable energy, etc). Neither is mention made of implementing the SIP's Recommendation on Investing in Children and Tackling Homeless. In the current context, with in-work poverty reaching 9.1% and where in an increasing number of countries most poor households have at least one person working, it is clear that a job is NOT an automatic route out of poverty. They also undermine economic goals with reduced revenue for taxation and capacity to spend. The Joint Employment Report 2015 itself shows that despite progress in getting more people into jobs in Greece, Portugal and Spain, poverty has continued to increase. The question is also what kind of jobs are being created in these countries – most jobs created are leading to more precariousness, particularly amongst youth. Additionally, although there is a vague rhetoric on "better jobs", the AGS contains very worrying references to

reducing employment protection, including eroding job security, and enforcing strict activation-related conditionality on benefits, including contributory ones, such as unemployment benefits.

- *The Commission must show its intention to go beyond a 'poor jobs' approach, enforcing criteria for quality and sustainable job creation. It must mainstream its own commitments to poverty reduction and social investment by requirements to guarantee adequate social protection and quality services, support financing through inclusive tax policy, and by developing a new explicit integrated strategy to fight poverty, which could form the basis of a sustainable recovery.*

#### **4. Reinforcing social standards, not austerity and a competitive race to the bottom**

The 2<sup>nd</sup> action prioritizes competitiveness, requiring restructuring of products, services and labour markets, whilst the 3<sup>rd</sup> priority focuses on introducing more flexibility around deficit reduction, but calling for austerity cuts rather than tax increases, which undermines financing for quality services and social protection systems. In reality, this corresponds to a continuation of the austerity, liberalization and privatisation agenda, particularly in the services sector, but without clear safeguards for how public service obligations to ensure affordable access for all to quality services and social protection will be ensured. A particular concern for EAPN is in the Energy Sector, where energy poverty is rising but no study has been carried out, despite the demands of the European Parliament, to assess the impact of liberalisation on the Energy sector in terms of affordability, pricing and services to the consumer. Emphasis is given to re-structuring labour markets requiring reductions in wage levels and indexing, increasing flexibility including to working time and 'reducing red-tape' (ie reducing administrative requirements often related to regulation) which reduces regulation over implementation of employment protection and social rights. This approach is an attack on social rights and standards, leading to social dumping, which doesn't form the basis of a credible, and sustainable competitiveness and growth strategy. The SIP and the Social Dimension of the EMU proposal gave EAPN some hope that the Commission would start to look at EU frameworks to reinforce automatic stabilizers and to press for minimum standards in employment. No progress on this is visible.

- *The EU must give priority to reinforcing social rights and standards as the basis of an inclusive and sustainable growth strategy. A concrete step forward would to develop a road map to progress on guarantees of an adequate income across the life cycle through an EU directive on minimum income (under 153 1h (TFEU) and an EU framework on minimum wage.*

#### **5. Social and Economic indicators on a par – with impact on policy!**

The only mention of the social dimension is a brief confirmation of the important role of the new social scoreboard, but without any indications of how these will be used to ensure policy change, or treated equally in relation to the Macroeconomic Alert Mechanism and indicators. Whilst the new social indicators are important, they need to be put on a par with the economic indicators, but more than this embed a mechanism that can have a real impact

on policy. Automatic triggers can play a role, but will only have an impact if the decision-making process allows equal power and influence to the different key actors, ie If social officers and ministries, and stakeholders with economic and financial actors, at all stages of the decision-making process. The political will has to be there to demonstrate a real commitment to genuinely appraise the social impact of economic policies being proposed and to make changes. Transparent and democratic engagement in the trade-offs discussion, if this is to be made a reality.

- *Confirm commitment to real up-to-date evidence-based decision-making with effective social impact assessment, putting social and economic indicators and actors on an equal basis, and make the EP partners to the decision-making discussion particularly regarding trade-offs on economic and social objectives.*

## **6. Make Civil Society partners to design and monitor policy not just to implement**

We welcome the new AGS call for increased ownership and engagement of national parliaments and stakeholders, including social partners and civil society. However, the involvement of stakeholders cannot be just to help 'implement reform efforts', if the EU wants to demonstrate genuine accountability and democratic legitimacy, they must be systematically engaged to monitor current policies as well as to contribute to new solutions. Neither must civil society be side-lined amongst stakeholder partners. The AGS 2015, for example, proposes concrete meetings with the European Parliament and just the social partners before the Annual Growth survey and after its adoption. Civil society must be included in this dialogue. Civil Society views, particularly those working side by side with people with direct experience of poverty and exclusion, are essential as a reality check on the impact of current policies, but are also crucial in providing concrete proposals for innovative and effective solutions that can really meet people's needs. They are also a fundamental link to EU citizens and basis for restoring the legitimacy and trust in an EU that demonstrates its commitment to give citizens a voice!

- *Confirm Civil Society Organisations and people with direct experience of poverty as equal partners in effective stakeholder engagement and develop obligatory EU guidelines to ensure quality engagement at every stage of the policy-making process: the design, monitoring and delivery of the Semester. Facilitate financial support to restore imbalances with powerful lobbying interests, particularly through the European Semester Officers.*

### **For more information see**

- [EAPN Input to the Mid –Term Review of the Europe 2020 strategy](#)
- [From Austerity to Inclusive Growth – What Progress? EAPN assessment of the NRPs 2014.](#)
- [Giving A Voice to Citizens – Building stakeholder engagement for effective decision-making – Guidelines for decision-makers at EU and national levels.](#)

## Draft Joint Employment Report

The Draft Joint Employment Report from the Commission and the Council is an Annex of the Annual Growth Survey, published annually by the European Commission as part of the AGS package. Just like its previous edition, the Report is structured around three main chapters:

1. Labour market and social trends in the EU
2. Implementing the Employment Guidelines
3. Scoreboard of key employment and social indicators.

The Joint Employment Report continues to constitute, mainly, a stock taking exercise, listing country statistics and policy measures without complementing them with an in-depth qualitative analysis. While divergence within the European Union is often noted, no attempt is made to link policy efforts in a particular country to its statistical performance. Results are judged from a purely numerical perspective, and no policy guidance is offered.

The negative impact of fiscal consolidation and austerity measures is noted, but the link could be strengthened: there is a lack of coherence with the main communication of the Annual Growth Survey, and no links are made between objectives outlined in the two documents. Treating economic and social targets as parallel processes, with no cross-overs, only leads to fragmented, inefficient policy making, where neither objectives are achieved.

We are highlighting below EAPN's perspective on the opportunities featured in year's Joint Employment Reports, as well as the key concerns which still the mar sustainable and inclusive development of Europe.

### What Opportunities?

- Some attention is paid to **quality work and employment**, with decent jobs being mentioned a few times. There is recognition that wage increased could support wobbly aggregate demand, that part-time work can be involuntary, and that minimum wage increases are positive, as well as the fight against in-work poverty. However, these elements are not strong enough, nor mainstreamed, and are watered down by converse rhetoric in the same document.
- **Inequality** is mentioned and measures, with the explicit recognition that wage polarisation, labour market segmentation, less redistributive tax and benefit systems, and fiscal consolidation are key causes.
- Although the *Annual Progress Report on the Europe 2020 Targets* is no longer a part of the AGS package for several years, the Joint Employment Report attempts to **measure this progress, particularly for the employment and education targets**. A more explicit linking between poverty statistics and the European and national poverty-reduction targets is, however, missing.
- The report clearly acknowledge the **negative impact of the high and rising tax wedge**, particularly on low-income earners, and underlines that regressive taxation has severely hit the most vulnerable, and that social expenditure has started a downward trend since 2010, despite no signs of recovery. The Social Scoreboard analysis identifies the weakening of social assistance, cuts in public sector wages, and regressive taxation as the main causes for the decline in household disposable incomes.

- Regarding health and education, the document highlights the **growing unmet health needs**, as well as attempts to reverse the **negative trend of massive cuts to education** – although the latter is tackled mainly from a “labour market skills needs” perspective.
- Some **vulnerable groups are given prominence** in the Report, such as child and elderly poverty, the situation of young people, that of the long-term unemployed, and of single parents. Other groups, such as migrants, minorities, or people with disabilities, as well as those facing multiple obstacles and discrimination, are mentioned in passing or not at all.
- **Gender equality** is mainstreamed throughout the text, with most statistics broken down by gender, and a specific chapter tackling gender inequality on the labour market, the gender pay & pension gap, childcare availability (including progress on Barcelona targets) and reconciliation measures, as well as gender stereotypes.

## Key Concerns

- The overall tone of the Report continues to support an **employment-focused analysis**, although Guidelines 7-10 equally underpin the education and poverty-reduction targets of Europe 2020.
- **Poverty** is twice interpreted very **narrowly as “social protection”**, which, in turn, is often taken to mean “pensions”. **Social protection is described as an activation instrument**, a tool to “activate those that are able to access the labour market”, thus undermining the state’s fiduciary duty for universal provision, implicitly condoning and legitimising punitive approaches and harsh conditionality.
- A number of **very important elements are completely absent from the text**, such as a comprehensive review of the cuts affecting social protection and adequate incomes for all groups and across the lifecycle, elements of quality, accessibility, affordability and equal access to key services (including social services beyond employment, health and education, but also housing, energy, counselling etc), and participation of individuals and stakeholders.
- **Quality of work and employment is not sufficiently mainstreamed in the document**, while several reported developments strongly undermine it – such as the so-called “modernisation of employment protection”, which means loss of employment rights, or undeclared work seen only from the perspective of the economy (loss of taxes, unfair competition).
- **Education** is only addressed from the perspective of the **needs of the labour market**, and is narrowly understood as professional skills. There are welcome reference to financial support for low-income students, but a striking lack of focus on segregation, discrimination, inclusive education, equal opportunities (including migrants) etc.
- Despite highlighting the unmet health need, the Report deals with **healthcare from a purely administrative perspective**, focusing on the restructuring, rather than on the quality, accessibility, and affordability of provision. This contradicts Guideline 10 of the Integrated Guidelines, which clearly states that “efforts should also concentrate on ensuring equal opportunities, including through access to affordable, sustainable and high quality services and public, services, and in particular health care.
- The **prolonging of working lives**, delaying retirement, and aligning pension age with life expectancy is given a lot of prominence, but **strictly from the sustainability perspective**, without taking into account adequacy and quality of work, supportive measures for older workers, adapted workplaces etc.
- **No efforts towards a comprehensive strategy to fight poverty, and no mention of integrated Active Inclusion approaches**, despite the latter being mentioned in Guideline 10. The labour market and unemployment situation, in view of better competitiveness and growth, underpins every other social analysis, while inequality, poverty, exclusion, lack of access to services, income and rights come as an afterthought.



## INFORMATION AND CONTACT

For more information on this publication, contact

Sian Jones – EAPN Policy Coordinator

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

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

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



EUROPEAN ANTI-POVERTY NETWORK. Reproduction permitted, provided that appropriate reference is made to the source. December 2014.



*This publication has received financial support from the European Union Programme for Employment and Social Innovation "EaSI" (2014-2020). For further information please consult: <http://ec.europa.eu/social/easi>*

*Neither the European Commission nor any person acting on behalf of the Commission may be held responsible for use of any information contained in this publication. For any use or reproduction of photos which are not under European Union copyright, permission must be sought directly from the copyright holder(s).*