

# DELIVERING ON THE PROMISES OF A BETTER SOCIAL EUROPE?

## EAPN Response to the Annual Growth Survey Package 2017

1. **PRIORITISE INCLUSIVE GROWTH** BY REBALANCING ECONOMIC AND SOCIAL OBJECTIVES
2. **INCREASE SOCIAL INVESTMENT IN QUALITY JOBS, PUBLIC SERVICES AND SOCIAL PROTECTION**
3. **MAINSTREAM THE IMPLEMENTATION OF THE EUROPEAN PILLAR OF SOCIAL RIGHTS** EXPLICITLY THROUGH THE EUROPEAN SEMESTER
4. **DEVELOP AN INTEGRATED EU POVERTY STRATEGY** TO DELIVER ON THE EUROPE 2020 POVERTY TARGET
5. **MAKE CIVIL SOCIETY EQUAL PARTNERS** AT NATIONAL AND EU LEVEL

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## Introduction

EAPN is the largest EU network of grassroots anti-poverty organisations, with over 10.000 organisations working to combat poverty at European, national, regional and local level. In October, EAPN wrote to President Juncker<sup>1</sup> following his State of the Union speech in September, urging him to bring a **new vision to the Annual Growth Survey 2017 for building a 'better Social Europe'**. EAPN called for **3 actions**: an overarching, transformative social and economic agenda; an explicit social dimension based on social rights, social investment and social standards, including an EU anti-poverty strategy; and clear mechanisms to ensure effective NGO participation and impact. These recommendations were drawn from EAPN members' active engagement in the European Semester and their assessment of the 2016 National Reform Programmes (NRPs): **What progress on Social Europe**.<sup>2</sup> Following the launch of the AGS 2017 in November, EAPN published an immediate Press Release: "*Signs of change towards Social Europe?*"<sup>3</sup> This response now presents a fuller analysis of the Annual Growth Survey and the Draft Joint Employment Report, prepared together in consultation with EAPN members.

**On 17 November, the European Commission adopted its [Communication on the Annual Growth Survey 2017](#)**, titled "*Working on a stronger, more inclusive economic recovery*", setting out the economic and social priorities for the EU, Euro area and Member States for 2017. This was presented as part of its '*Autumn Package*'<sup>4</sup>, including the Recommendation for the Euro Area and the Draft Joint Employment Report (JER).

**The main message from the AGS 2017** is the importance of strengthening competitiveness, innovation and productivity as part of Europe's economic recovery. However, a new priority appears to be given to **promote 'social fairness' as a means to deliver more 'inclusive growth'** and "*achieve an economic recovery that benefits all, notably the weaker parts of our societies, and strengthens fairness and social dimension*". However, the lack of **explicit mention of the European Pillar of Social Rights** and the repetition of almost the **same three priorities** as in 2014 and 2015: 1) boosting investment, 2) pursuing structural reforms and 3) ensuring responsible fiscal policies, with no explicit social priority, raises serious concerns about whether this marks a real change in the EU's overall economic approach, or if it will just be business as usual.

In order for these 'good intentions' to be put into practice – **5 signs** must be given:

- 1) PRIORITISE INCLUSIVE GROWTH BY REBALANCING ECONOMIC AND SOCIAL OBJECTIVES**
- 2) INCREASE SOCIAL INVESTMENT IN QUALITY JOBS, PUBLIC SERVICES AND SOCIAL PROTECTION**
- 3) MAINSTREAM THE IMPLEMENTATION OF THE EUROPEAN PILLAR OF SOCIAL RIGHTS EXPLICITLY THROUGH THE EUROPEAN SEMESTER**
- 4) DEVELOP AN INTEGRATED EU POVERTY STRATEGY TO DELIVER ON THE EUROPE 2020 POVERTY TARGET**
- 5) MAKE CIVIL SOCIETY EQUAL PARTNERS AT NATIONAL AND EU LEVEL**

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<sup>1</sup> [EAPN letter to President Juncker: input to the AGS. \(Oct 11 2016\)](#)

<sup>2</sup> [EAPN Assessment of the NRP's 2016: What Progress on Social Europe \(Oct 2016\)](#)

<sup>3</sup> [EAPN Press Release: Signs of change towards Social Europe?](#) (Nov 21 2016)

<sup>4</sup> The Autumn Package also included a Recommendation for a Council Recommendation on the economic policy for the Euro Area; a Communication: towards a positive fiscal strategy for the Euro area; the 2017 Alert Mechanisms Report; An Assessment of the Euro Area Member States Draft Budgetary plans and the Draft Joint Employment Report (JER).

## Main Opportunities

The new AGS clearly offers some positive developments in terms of the language and rhetoric used, combined with some significant actions which could help to support a stronger Social Europe. However, the detail of the implementation will be key.

- **The decision by the Commission to not pursue a suspension of EU funding against Spain and Portugal, and a softening of the approach on austerity** – putting more emphasis on flexibility and room for more expansionist policies, are very positive signs, essential if support is to be built for a more Social Europe.
- **Reaffirming the European Commission’s commitment to mainstreaming social concerns alongside economic goals and the focus on inclusive growth**, though it will depend on how priority is allocated and whether this will mean a true rebalancing of social priorities.
- **Mentioning of Europe 2020 and explicit references to the targets**, which was missing in previous years.
- **The recognition of the need to tackle the high poverty rate (1 in 4 of the population) and high inequality rate.**
- **The focus on social policy as a productive factor** is welcomed, as long as it is understood that social policy must first be about achieving social goals, also through economic policy.
- **The call for progress on strong social standards** - adequate minimum income systems and pensions quality work as well as support to universal access to health and care services, rather than just a focus on cost efficiencies.
- **A support to increasing housing and support including social housing.**
- **The recognition that tax systems should play a role in combating inequality.**
- **Although social investment isn’t specifically mentioned in the investment section, the call to double the European Fund for Strategic Investment (ESIF) and invest in human capital and social infrastructure** – particularly long-term care services, and affordable and flexible childcare could be positive depending on how it is implemented and who benefits.
- **The reference to achieving a smooth welcome for migrants** including refugees, although positive, needs a big shift in practice to be credible.
- **Explicit references in support of quality jobs, reducing precariousness and supporting transitions, including adequate income support for dignified lives.**

## Some Threats?

The main threats lie in the lack of an explicit re-balancing of the economic and social agenda and new priority on social rights. Without this, isolated social measures run the risk of being undermined by mainstream economic priorities and governance, rather than contributing to social goals, and to building inclusive growth and shared prosperity. The overall impact on the Europe 2020 goals and particularly the poverty target is very unclear and uncertain.

- **Stability and Growth remain the overarching economic framework** with the same 3 economic priorities, making it difficult to see how social investment can be realized.
- **The European Pillar of Social Rights is not explicitly mentioned**, nor proposals made for how it will be mainstreamed and implemented.
- **Although Europe 2020 targets are mentioned, the overall narrative and goals are not included.**
- **A continued focus on “modernising social protection, flexibilizing labour markets although at the same time emphasising transitions and ending precariousness and segmentation, expanding privatisation and liberalisation of services to promote the internal market”** appears to undermine the commitments to quality jobs, and improving access to social protection and services.

- **The continuing priority given to ensuring the financial sustainability** of budgets as the main priority, raises concerns about how ‘fiscal flexibility will be introduced in practice’.
- **The lack of a clear assessment of the likely overall impact on poverty and social inclusion** or signs that the EU is ready to invest in an explicit rights-based integrated strategy is a concern.
- **No mention is made of the key role of civil society**, only social partners, despite the pressing need to engage with citizens and convince them of the benefits of a stronger and deeper EU.

In the next section, we assess the specific priorities in more detail.

### 1) *Boosting Investment*

In the priority on boosting investment, EAPN welcomes the **new mention of support for the Investment Fund related to human capital and social infrastructure**, the development of long-term care services, and affordable and flexible childcare. However, EAPN is concerned that the **focus on care is supported only to “decrease obligations” to help women into the labour market** rather than a focus on children and adults’ rights to quality care. This is particularly a missed opportunity to make a clearer link to **early learning** in relation to the Investing in Children Recommendation. An overarching concern, however, is the **lack of transparent evaluation of the overall social impact of the Investment Fund in terms of quality jobs, but also how the investment in quality services will benefit people experiencing poverty and social exclusion across the EU**. Major concerns need to be raised to see how ESIF is contributing to the reduction of inequality within and between member states, when the main beneficiaries appear to be large multinational companies in the older and richer Member States. A missed opportunity appears to be the commitment to invest in **affordable housing, particularly energy efficient social housing** that could have a major impact on poverty, including energy poverty. We would also want a clearer recognition of the role of **Cohesion Funds as social investment in people**, particularly through the ESF. EAPN is also concerned about how the AGS proposals link to the current discussions around the **MFF** (Mid-Term Review of the Multiannual Financial Framework) which appear to be proposing changes to the regulation to allow Member States flexibility to shift funds from Cohesion funds, even ESF. **This would imply a prioritisation of ‘private investment for market-led growth’ undermining social investment for inclusive growth and social cohesion** and the use of ESF as *‘the people’s fund’*, as well as the key EU financial instrument to deliver on tackling poverty and social exclusion.

### 2) *Pursuing Structural Reforms*

EAPN welcomes the focus on **job creation, quality jobs and effective training and upskilling**, referring to the importance of income support during job transitions and **“welfare systems firmly anchored in strong social standards”**. The emphasis on equal opportunities, closing the gender pay gap, and ensuring inclusion of disadvantaged groups as examples of how **‘growth and social fairness’** go hand in hand is also welcome. However, the approach to quality services and income support are still seen primarily as **instruments to activation**, rather than ensuring social rights beyond the labour market for all groups and across the life cycle. Little is said about *how quality work is going to be achieved*. The language around **minimum wages** is highly ambiguous, and indeed contradictory: “balancing concerns for in-work poverty with competitiveness”. A clear recommendation is needed to improve **quality of employment in terms of supporting living wages**, increasing disposable income particularly for those suffering from in-work poverty, and strengthening working conditions, including permanence of job contracts and employment and social protection.

The strongest focus on social objectives is seen in the section on **Social Policy as a productive factor**. Whilst it is important to recognize this productive role, the **primary objective of social policy to reach social goals** should be asserted - to respond to individual needs, reduce inequality and promote social inclusion.

Economic policy must explicitly contribute to social objectives to benefit shared prosperity. Whilst **important attention is drawn to the failure of the poverty target**, too much emphasis is made on the reduction in 2015, when the overall figures are still not progressing towards the target, and key areas such as **homelessness is reaching new alarming levels**. Although attention is drawn to the need to **access quality services, including social housing**, housing policy is underlined only as a key instrument to remove obstacles to geographical mobility, rather than as a means to **ensure the right to affordable housing**, in a key area of market failure.

Whilst EAPN strongly welcomes the detailed focus on **adequacy and coverage of income support** – minimum income, unemployment benefit and pensions, and recognition of the need for adequate income across the life cycle, - we have concerns that the dual objective of balancing *‘adequacy with work incentives’* is likely to lead to the dominance of the latter, unless clear recommendations are made backing the primacy of the **social right to an adequate income for all, throughout the life cycle**. Activation requirements are explicitly mentioned for those of ‘working age’, instead of those able to work, thus risking the placement of very negative pressure on those unable to take up a job. The EU urgently needs to **guarantee social standards** in this area, hopefully through legal instruments as part of the upcoming Communication on the **European Pillar of Social Rights**, for example a **Framework Directive on Minimum Income, and EU Unemployment Benefit Scheme**.

The call to improve **‘targeting’ of social protection** is also of concern. The effectiveness of social protection systems lies in their **universality – applicable to all, across the life cycle**. Only in this way, will social protection systems play their function of preventing as well as tackling poverty and social exclusion, being seen to benefit all against common life risks. However, additional ‘tailoring’ and investing in increased efforts to ensure adequate take up by specific vulnerable and excluded groups is crucial as an example of ‘targeted universalism’.

**The reference to adequacy of pensions is welcomed, together with the support to help people who wish to work longer** to achieve adequate skills, lifelong learning and an ‘enabling environment’. However, insufficient recognition is made of the impact of **inequalities in life expectancy and healthy life years, for men and women in poverty whose life expectancy is significantly less**, e.g. those who have been long-term unemployed or mainly in insecure, badly paid, physically demanding and stressful jobs. Reliance on pillar 2 and 3 pensions is only likely to increase this inequality. New **proposals on how to finance adequate, pillar 1 pensions** are crucial if increasing numbers of pensioners are not to be condemned to poverty in old age.

The EU must also **promote a move away from sanctions and punitive conditionality to provide ‘incentives to work’** which is an approach which fights against ‘the poor’ rather than against poverty and only reinforces exclusion. The EU must promote a social justice/social investment approach with emphasis on **wrap around, personalized, comprehensive pathway support**, helping people with their specific challenges and enabling them to participate in society and to access quality and sustainable work.

**A stronger focus in the AGS is given to health policies**, recognizing their role to *“support and reinforce social safety nets and active inclusion strategies, through preventative, but also curative and rehabilitation policies”* as well as *“protecting the population from falling into poverty or social exclusion due to ill-health”*. However, the continued focus on ‘reform’, requiring ‘cost-effective’ public health and healthcare services, whilst asserting the need to ensure universal access, raises concerns about how this will be done. Efficiency must be balanced by ‘effectiveness’, recognizing the negative social and economic repercussions of failing to ensure universal access to health services. Affordability, coverage and quality of health services must be a key concern, in a context where unmet need continues to rise.

The recognition of the **role of tax**, to combat income inequalities and poverty and the need to **balance growth and fairness**, with increased emphasis on tax collection and the need to pay *“particular attention to the distributive effects of tax reform”* is also welcomed. For this to be effective, an explicit communication should be developed on the **role of tax in promoting inclusive growth** and transparent proposals on how

this **distributional impact assessment** will be carried out. This needs to be developed in an **accountable and legitimate** manner with the involvement of Parliament and stakeholders, particularly civil society organisations.

### 3) *Responsible Fiscal Policies*

In the priority on **responsible fiscal policies**, EAPN welcomes the shift away from austerity as the main goal, albeit a rather subtle one. This move to **more budget flexibility**, highlighted as the need for a *'positive fiscal stance'* particularly for the Euro area, including the dropping of sanctions regarding Structural Funds for Spain and Portugal, is strongly welcomed. However, the proposal to limit such **'flexibility' only to countries with low deficits and debt**, and with only a concern to balance budgets with the objective of growth, rather than *inclusive growth, that invests in people and social rights*, is likely to continue the same restrictive and cost cutting approach which has damaged welfare states and contributed to increasing poverty. What is needed now is an explicit recognition of the need for sustained and effective **public investment in social measures including universal social protection and quality services, ensuring effective access for all**, and not just leverage for private investment and support to market-led growth.

### 4) *Next Steps*

In the final section, the main emphasis is on the implementation of the key reforms highlighted in the Country-Specific Recommendations (CSRs). **EAPN is concerned that the only reference point for Member States' policy to promote 'inclusive and sustainable growth' is reduced to the CSRs**, which at the Commission's own admission is now a 'streamlined' and very reduced shopping list. EAPN would urge the Commission to make more reference to the overarching frameworks and to insist on **systematic delivery on the main social goals and targets of the Europe 2020 strategy, particularly the poverty target, but also the employment and education targets** as the thematic coordination priority in the European Semester. With the new **European Pillar of Social Rights, we would expect the benchmarking exercise on social standards to be explicitly mainstreamed** through the European Semester, in the Country reports, CSRs, and the National Reform Programmes (NRPs). In the **reference to EU funds**, this point is particularly important, otherwise there is a danger that this limited CSR list could undermine the existing commitments under the current regulations to combat poverty and social exclusion, for example under the 20% earmarking of ESF.

Whilst EAPN **welcomes the new emphasis put on intensifying dialogue** at the national level, with Member States in the European Semester with 'dedicated visits', we are very concerned that mention is only made of national parliaments and social partners, and **not to civil society organisations. If the EU is really concerned about "getting back in touch with citizens"** - of repairing the breaches, fragmentation and alienation with institutions so strongly demonstrated by the recent BREXIT and Italian referenda, - dialogue with NGOs on a similar basis as with social partners is crucial. It also undermines the positive message being sent by several of the European Commission's **European Semester Officers in the national capitals, and some Member States** who are making stronger efforts to engage NGOs in an on-going dialogue in the Semester, recognizing their key role in contributing to effective and accountable solutions to tackle poverty, social exclusion and growing inequalities.

# EAPN Response: Draft Joint Employment Report 2016

## Introduction

The Draft Joint Employment Report (JER) from the Commission and the Council is an important Annex of the Annual Growth Survey, published annually by the European Commission as part of the Autumn Package. The structure of this year's Report is similar to the previous edition, with some important changes, however, as outlined below. It aims to provide an annual overview of employment and social developments, as well as of 'reform actions' taken by Member States, and draws on the employment and social scoreboards of indicators.

As in last year's edition, the document begins with a summary of the key findings of the report. The two chapters remain largely unchanged in content, under the titles *Overview of Labour Market and Social Trends and Challenges in the European Union*, and *Employment and Social Reforms – Member States Performance and Action*. The **noticeable change is in the proportion allocated to the two chapters**. While the previous edition dedicated ample space to the former one, with the latter much reduced in scope and amplitude, the situation is reversed in this year's document. The first chapter remains comprehensive, and covers the same three main subheadings: labour market trends, social trends, and general findings from the scoreboard of indicators. The second chapter, however, is the **most ample and dedicates significant subchapters to each of the 4 Employment Guidelines**, each of them monitored through subsections on key indicators and main policy responses, covering both in detail. Compared to last year's edition, the links to Europe 2020 and to its overarching targets, as well as to the Guidelines, are much more explicit and reinforced. Equally, there is **increased consistency between the main Annual Growth Survey and the findings of the Joint Employment Report**. The document ends with the usual Annex containing the *Scoreboard of Key Employment and Social Indicators*.

However, 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, or policy guidance. We are highlighting below EAPN's perspective on the opportunities featured in this year's Joint Employment Reports, as well as the key concerns which still mar the sustainable and inclusive development of Europe, as well as endanger delivery on the poverty and other social targets of the Europe 2020 Strategy.

## What Opportunities?

- **Explicit recognition that poverty remains high**, with groups at particular risk specifically highlighted (children and young people, people with disabilities, third country nationals, the unemployed).
- **Explicit recognition that income inequalities are also at a historical high**, as well as of the fact that income inequalities underpin poverty and social exclusion, as well as hinder growth. The crucial role of taxation and minimum wages is underlined in this context.
- **Acknowledgement of the need for integrated Active Inclusion strategies**, with the three strands mentioned (adequacy and coverage of benefits, accessibility and quality of services, support towards employment and inclusive labour markets).
- **Acknowledgement of the need to tackle in-work poverty**, with the link made to precarious employment and increased segmentation, where temporary contracts are qualified as 'dead ends' rather than 'stepping stones'.

- **Clear support for integrated, individualised activation approaches**, with full involvement of the beneficiary, and improving the capacity and training of Public Employment Services in that direction, highlighting that lack of resources is hindering their positive impact.
- **Adequate income support consistently mentioned**, for both benefits that target the working age population through supporting secure transitions, as well as adequacy of pensions, stressing that adequate standards of living must be ensured.
- **The pay and pension gender gap is highlighted**, as well as the need for more supportive measures for women to access employment, such as better work-life balance measures.
- **Clear recognition of the link between socio-economic background and educational attainment**, while stressing ongoing efforts in Member States to make education more inclusive and reached disadvantaged groups (including through financial support).
- **Acknowledgement of persistent unmet health needs**, particularly for low income households, as costs remain the main barrier and substantial of out-of-pocket spending.
- **Social inclusion of migrants, refugees, and asylum seekers mentioned alongside professional integration**, arguing that this should form an integral part of Member States' social inclusion strategies.

## Key Concerns

- **The employment target continues to dominate the discourse**, as it is referred to much more frequently than other Europe 2020 targets, and the others are frequently interpreted in relation to it – i.e., the importance of the education target in improving the employment rate, or the poverty target still being perceived as mainly a matter of employment.
- **The increase in employment is not accompanied by a quality analysis** – while the report mentions that unemployment has decreased, including youth and long-term unemployment, and that 8 million new jobs have been created, the quality of the employment created and proposed is not systematically monitored through indicators.
- **High risk of encouraging negative activation** practices, marred by sanctions and conditionality, as the link between income support, access to quality services, and providing active labour market policies remains tenuous, and Active Inclusion may be wrongly understood as using benefits and services as a lever to push people into any job.
- **No measures to tackle child poverty and the intergenerational transmission of poverty**, although both are rising; the focus is on getting women into employment, rather than quality early childhood education and care, and no wrap-around support for families and parents, including lone parents, is reviewed.
- **No mention is made of the impact of austerity cuts and tight budgetary discipline**, while the Annual Growth Survey continues to indicate fiscal discipline as the overall priority, which raises serious doubts about what space is left for social investment.
- **The Roma are not mentioned in the document at all**, despite a recent report of the Fundamental Rights Agency highlighting that 80% of Roma are at risk of poverty in the EU.

- **The sharp increases in homelessness** in many Member States during the last few years is not picked up in the text. This omission is all the more problematic because it is at odds with the at-risk-of-poverty trends, which show a slight decrease for the European Union as a whole. It is not because Eurostat does not specifically measure homelessness that it should not be an issue of concern in the framework of the European Semester.
- **Civil society is not mentioned once**, nor civil dialogue, while the key role of social partners is consistently monitored and highlighted.

### **For more information see**

- [Draft Joint Employment Report](#)

## 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.**



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