

Social Platform contribution to the annual SPC report for 2012:

Threats to social cohesion in Europe

Key messages

With 10.7% of the EU population without a job¹, unemployment has reached a historically high level, while poverty has drastically increased to almost 120 million people and is deepening in many member states². Current austerity policies at EU as well as national level are at least partially responsible.

We therefore call on the EU and member states to put social considerations on an equal footing with fiscal and economic priorities in all components of EU governance and of the European Semester.³ This is the only road for Europe to efficiently and effectively combat inequalities and poverty for the well-being of all.

WHY: INCREASING INEQUALITIES AND SOCIAL EXCLUSION

There is a persistent and increasing level of poverty and social exclusion. Next to this, inequality is also growing because of policies implemented over more than 20 years. This has contributed to deeper social and wealth disparities and to weaker social cohesion.

A) Inequalities in income and wealth

Income and wealth inequalities have gone up as a result of changes in the distribution of wages and salaries combined with the weakening (in many member states) of redistributive policies and mechanisms through taxes, benefits and services. The income gap has increased, with the reduction of medium incomes and salaries at the lower end. Income inequality in OECD countries is at its highest level for the past half century. The average income of the richest 10% of the population is about nine times that of the poorest 10%. Meanwhile redistribution through transfers has become less effective as rates for personal income tax for the wealthiest fell from 60-70% to only 40% in most major OECD countries, whilst social protection levels have been reduced.⁴ This results not only in higher relative and absolute poverty, but also in increasing social polarisation.⁵

Broader social consequences of the economic crisis are emerging. According to the experience of NGOs, the first half of 2012 saw requests for food aid and general social support in some countries doubling compared to those registered for the whole of 2009. 75% of those asking for help were unemployed.⁶ 20% of people being assisted by the NGOs report skipping a meal once a week. Other NGOs are reporting a constant increase in the demand for their debt-counselling services and notice that over indebtedness often appears to be a consequence of low levels of income and inflexible working conditions.⁷

B) Inequalities in education

The reduction of numbers of public school teachers and higher tuition fees to access schools and universities - for example a 50% increase of tuition fees in the UK and Spain - make it more difficult to access quality education for children and young people coming from low-income families. Austerity measures have also been targeting education services in several countries, particularly in countries under Troika supervision.⁸

Increasing segregation and streaming undermine commitments to a comprehensive universal education system. Roma children are discriminated and excluded from mainstream education and are over-represented in alternative systems. Early school drop-outs of Roma girls are particularly high in several member states.⁹ Children from lower socio-economic backgrounds as well as young migrant or youth with ethnic minority background are over-represented in the category of "drop-outs"¹⁰. Only 9% of Europeans with disabilities go to university¹¹, due to lack of accessibility and reasonable accommodation and 61% of lesbian, gay, bisexual or transgender youth face bullying at schools¹².

C) Inequalities in health

Privatisation of public health institutions and cuts in health budgets, provoke further inequalities. The reduction of health spending per capita in Europe is likely to foster health inequalities as the costs – particularly out of pocket health expenditure – are shifted to households.

Some member states are transferring part of their health services or responsibilities to the private for profit sector, as a way to finance their health care systems.¹³ Having complementary health insurance is becoming an essential component to receive more than very rudimentary medical care and to access affordable hospitalisation and medical care. Some of these schemes apply age limits, do not insure complex risks or are too expensive. In practice this means denying people the right to benefit from quality health care, which is a fundamental service of general interest.

In Portugal, there is a decrease of public co-payment of medicines.¹⁴ In some countries CSOs responsible for long-term care are facing increasing difficulties, as families are unable to pay for services.¹⁵ In Greece, infectious diseases like TB and HIV (related to a large extent to increasing poverty) are spreading rapidly.¹⁶ In Spain, undocumented migrants and people over 26 years old who have not been able to enter the labour market, are excluded from receiving public care.¹⁷

WHO and other key research highlight overwhelming evidence that more equal societies do better for everybody, including reduced levels of obesity, child deaths, mental health as well as higher life expectation levels.¹⁸

D) Inequalities in access to housing and increasing homelessness

Housing affordability is worsening in many contexts, and austerity measures are impacting upon housing support and homeless services in a range of countries. 5.2 % of the EU population live in severe housing deprivation. 11 % live in a household where the total housing costs represent more than 40% of the total disposable household income – rising to 26% in the market-rate rental sector.¹⁹

Increasingly unsolvable housing demand (due to cuts in social and housing allowances, rise of long term unemployment) and supply constraint (due to cuts in public spending for affordable house building and higher taxes on social housing organisations) combined with rising energy prices at the global and local level, make it increasingly difficult for a significant part of the population to find decent and affordable accommodation.

The number of Europeans facing rental or mortgage arrears is increasing in many member states. 10.9% were unable to make a scheduled rental or mortgage payment in the past year²⁰. In Spain, 350,000 families have already been evicted from their homes since 2008 because they cannot repay their mortgage. Those evicted must still pay the remaining debt as well as judicial fees. Measures were introduced to protect certain households but the target group is very limited, leaving many in a very vulnerable position.²¹ In England there has been a 33% rise in court orders to evict private tenants in England over the past two years²². High unemployment, underemployment, cuts to housing benefit and rising rents (as demand for rental property increases) are contributing to this situation.

Homelessness remains an unacceptable reality in all EU member states. There is evidence of increasing levels of homelessness over the past 5 years in at least 15 member states²³. In Portugal, Spain and Greece service providers estimate an increase of 25-30% since the onset of the financial crisis. In parts of the UK, the progress in reducing the levels that has been made in recent decades is being reversed. At the same time, some governments, such as those of Finland, Scotland and the Netherlands have been successful in reducing homelessness by implementing effective strategies. It is important that all member states invest in such strategies to tackle homelessness, and avert the human, societal and economic costs that it entails.

E) Inequalities between women and men

The crisis has halted the gains made across Europe in integrating women in the labour market. Women's employment rate was increasing steadily until 2008 when the crisis hit Europe, but it has stagnated ever since.²⁴ While the difference between overall women and men's employment rates is narrowing, this is not a sign of increasing gender equality. It reflects the deteriorating

employment situation of both women and men, and the sharper impact on male employment early on in the crisis. The gap is closing due to levelling downwards, not because of catch-up.

As a response to the crisis, across Europe public sector jobs and wages have been cut. Women account on average for almost 70% of public sector workers, anything that happens to public sector jobs and wages is a major threat for gender equality in employment. Significant personnel cuts in the public sector have been reported, among others, in Greece (-25%), Portugal (-10%) and Romania (-10%).²⁵ In the UK, 710,000 public sector jobs will be lost by 2017 and it is estimated that around twice as many women as men will lose their jobs.²⁶ In some countries, the cutbacks have focused on female-dominated sectors, such as education, health and social work.²⁷

Austerity has reduced access to and financing of childcare services and care services for the elderly and other dependents. In some countries access to public day-care for children has been limited to families where both parents are employed, leading to an increased care-work load on the unemployed and limiting their possibility to look for a job.²⁸ In Ireland public beds in nursing homes have been reduced²⁹. In the Netherlands programmes to facilitate disabled persons have been cut³⁰. In 2010 28.3% of women's inactivity and part time work was explained by the lack of care services against 27.9% in 2009. In Bulgaria it even increased to 31.3% in 2010 from 20.8% in 2008 and in the Czech Republic to 16.7% from 13.3%.³¹

HOW: POLICY PROPOSALS

To respond to the deteriorating and preoccupying social situation in Europe, we propose the following actions to be taken to support an inclusive growth with quality jobs, adequate social protection systems and accessible public services, while ensuring poverty reduction and social inclusion. This should be financed by fairer distribution/tax systems and supported by EU funds.

A) Develop a true and integrated poverty strategy at EU and national level

The EU and its member states must develop an integrated strategy to combat poverty and social exclusion at both European and national level as a core policy in itself that is evidence-based, with a clear set of tools and with an appropriate budget³² to ensure an immediate and sustainable reduction of poverty. It should tackle the multidimensional nature of poverty and promote prevention through universal services as well as alleviation. We cannot wait for poverty and social exclusion to be challenged as a mere result of economic and employment policies.

As part of such a poverty strategy, member states urgently need to implement all pillars of the Active Inclusion Strategy. This requires the elaboration of a common definition of "adequate minimum income" as well as concrete measures to implement this through the adoption of an EU Directive on guaranteeing adequate minimum income for all. It would ensure universal income support throughout the life cycle, enhancing protection against social risks, and should be coordinated with an EU unemployment insurance package.

Furthermore, countries should be encouraged to set sub-targets for poverty reduction amongst groups most at risk of poverty or social exclusion³³. Of particular importance would be a requirement on governments to monitor and report on how their policy choices are contributing to reducing poverty amongst groups most at risk. Where progress is not being made there should be a mechanism to have the policy initiatives revised so as to achieve the targets set.

The European Semester and the related tools need to take up their role in this integrated poverty strategy. The engagement of national social and antipoverty NGOs will be crucial to develop and implement effective Country Specific Recommendations. The Commission should follow up on how previous Recommendations in the field of poverty and social exclusion, education and employment have been implemented and should take action towards member states in case of non-implementation.

B) Invest in services of general interest and strengthen social protection

In the richest economic region of the world, it is now time for a long-term social investment strategy. Last year the Commission pointed out that in-kind benefits would have the potential to reduce the poverty gap by 80% on average.³⁴ Services of general interest have a wide range of long-term gains, often in the form of avoided costs. Investing in prevention, early and integrated action and social infrastructures is crucial and economically sound.³⁵ Empirical evidence shows that maintaining sufficient level of public spending in social, health and educational

infrastructures and social protection can not only help improve the social situation but also would support growth and save costs in the long-term.³⁶ Cutting social and health services and care will lower their quality, not meet the current demographic challenges and threaten the economic recovery prospects for Europe as they are sectors with a high potential of job creation.

Therefore, the EU and member states should invest in:

- Universal coverage: Ensuring universal and targeted coverage at adequate levels through the life cycle in social protection, income support and universal access to inclusive public services; inclusive education and life-long learning.
- Quality, accessible and affordable social and health services and infrastructures, in particular in the field of education, housing, care, health and employment.
- Promoting financial inclusion, covering access to bank accounts, credit, savings and insurance, as well as the growing problem of over-indebtedness which has increased as a consequence of the financial and economic crisis and is also due to unfair credit and lending practices.³⁷ According to the European Commission, 30 million people in Europe do not have access to basic financial services.³⁸
- Care policies that both ensure that the fundamental rights of care users are respected and that care workers enjoy quality employment and decent working conditions.³⁹

C) Mainstream social targets in all other policies and protect social budgets when developing policies to tackle macro-economic imbalances

The success of social policies depends on how they are combined with and integrated in other policies. Therefore, the social impact of main policy actions across the EU, and in particular of financial and economic policies, has to be assessed on a regular basis, in close cooperation with social ministries, social departments at the Commission and the SPC. Although the EU and many member states carry out ex-ante social impact assessments, there is little evidence that this is being used systematically to “poverty/social inclusion-proof” policies - the current austerity and macroeconomic measures in particular. This would create the space to mainstream social targets in all policy fields and create for example the opportunity to measure how EU-driven austerity package have impacted the social sphere of life, health and well-being, even if a policy as such cannot be called ‘social policy’.

Very important in this context is the need to recognise and monitor the effect of cumulative ‘hits’ where a range of decisions are made that impact on the same group and that have a disproportionate effect. Furthermore, particular attention should be paid to the most disadvantaged groups in each country.

Social, economic and cultural rights are closely interwoven with the economic objectives of the EU.⁴⁰ As social exclusion increases the risk of experiencing discrimination⁴¹ it is crucial to recognise social, economic and cultural rights to enable access to fundamental rights. Protection against discrimination on the grounds of social status must be equally ensured as with other grounds of discrimination.

D) Look into and develop alternative sources of financing and funding for social policies

National authorities must adopt approaches to raising revenue that do not negatively affect low income groups disproportionately, e.g. avoiding flat tax regimes and increases in VAT, particularly on basic goods and services. The shifting of the tax burden from labour to consumption caused proportionately larger losses on low-income households in several countries. These households spend a relatively higher part of their income on essential goods, like energy.

The EU and member states should promote fairer re-distribution through tax justice, while ensuring sustainable financing in the context of fiscal consolidation by supporting increased revenue through a higher focus on progressive income tax, and on taxes on capital and environmental risks. Attention should be paid to taxing social risks for example: taxation on alcohol, cigarettes and foods high in fat or sugar, whilst ensuring that the poor are not disproportionately affected.

A bigger EU budget fuelled by the revenues of financial transaction taxes or other schemes not based on national contributions, is fundamental for greater social cohesion.

In parallel, a re-orientation of the lending policy of the EIB towards small scale social and health infrastructures (schools, affordable housing, hospital, training centres for NEETs) is necessary⁴².

In as much as we must strive for alternative sources of funding, it is crucial to maximize the resources that can be extracted from the resources we already have. The case for more stringent fiscal policies, namely limiting tax evasion and avoidance is especially powerful in times of austerity.⁴³

E) Ensure a wide inclusive and democratic process to decide upon economic and social priorities

The current process around the Europe 2020 Strategy and the economic governance is clearly suffering from a democratic deficit. The decisions are prepared and made between the European Commission and the heads of state. There is neither social nor civil dialogue at EU level on the decisions taken in the economic governance and the Europe 2020 strategy.

The European Parliament has to be given real co-decision power in the EU economic governance. Also the national parliaments and local and regional authorities have to be involved more.

Further EU integration could make the EU more social and closer to citizens' aspirations only if decisions are discussed and debated by a wide range of stakeholders, including NGOs and social partners. They therefore have to be consulted when discussing a greater economic and monetary union. Any plan for a closer economic union should also have elements about better integration of national and EU CSOs in the decision making process.

Furthermore a proper civil dialogue at both EU and national level will reinforce legitimacy, accountability and adequacy of measures proposed. CSOs working with and for people in difficult situations are witnessing the worsening social situation daily, and are gathering facts and expertise beyond the official statistics.

Summary of key actions to be taken by the EU and member states

A) Develop a true and integrated poverty strategy at EU and national level

- *An EU Directive on guaranteeing adequate minimum income;*
- *Follow up by the Commission on implementation of CSRs and action towards member states in case of non-implementation.*

B) Invest in services of general interest and strengthen social protection

- *Invest in universal coverage, in quality, accessible and affordable services, financial inclusion and care policies.*

C) Mainstream social targets in all other policies and protect social budgets when developing policies to tackle macro-economic imbalances

- *Assess the social impact of main policy actions across the EU, and in particular of financial and economic policies, on a regular basis;*
- *Provide solutions to redress negative social consequences of financial and economic policies.*

D) Look into and develop alternative sources of financing and funding for social policies

- *Higher focus on progressive income tax, and on taxes on capital and environmental risks;*
- *Bigger EU budget fuelled by the revenues of financial transaction taxes.*

E) A wide inclusive and democratic process to decide on economic and social priorities

- *Co-decision for the European Parliament in the EU economic governance;*
- *Consultation of NGOs in the discussions on a greater economic and monetary union.*

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