socialplatform

June 19, 2012

To: Heads of State and Government

Letter to the European Council of June 28-29, 2012

Switch from emergency measures with damaging social consequences to a sustainable and inclusive long term plan for an economy that responds to the needs of the EU population

Dear President,
Dear Prime Minister,

On June 28 you will adopt Country Specific Recommendations (CSR) to implement an economic recovery plan that should be in line with the Europe 2020 strategy and aim at inclusive and sustainable growth.

Social Platform would like to express three main concerns regarding the proposals made by the European Commission for these recommendations and to present you with an alternative proposal for an inclusive recovery plan.

Our three main concerns are the following:

- **Despite the recent declarations on the need for growth, the main focus of the economic governance is still primarily on austerity measures and cuts in budget expenditures**. The first priority of all the CSRs is always on correcting an excessive budget deficit and requires "rigourous implementation of budget strategy".

  At the same time our economies are clearly struggling. After two years of austerity measures, we barely evaded another economic recession and the unemployment rate has reached an historic peak of 10,3%. Following in the footsteps of Greece, Portugal and Ireland, Cyprus and Spain are asking for a bailout since they cannot borrow anymore on the financial market.

- **The fight against poverty is obviously absent from your top priorities. Your commitment to lift 20 million people out of poverty is not being implemented.** National commitments amount to a maximum of 12 million people. Meanwhile, only only a limited number of countries have received a CSR on alleviating poverty. All of them focus on getting people back to employment and none make reference to the Active Inclusion Strategy recommended by the Annual Growth Survey 2012 (the need to combine minimum income together with access to services and access to employment).

- **Increasing precariousness on the labour market is detrimental to an inclusive growth.** The word quality is never linked to employment in the CSRs and most of them aim at lowering employment protection and thus the quality of employment. They request for example: "reform of the system of wage indexation"[1], "ensure that the minimum wage adaptation support competitiveness and job creation"[2], "limit use of civil law contract and extend the probation period for permanent contract"[3], or "adjust

[1] Country specific recommendations to Belgium, Cyprus, Luxembourg, Malta and Sweden.
[2] Country specific recommendation n°7 for Slovenia.
[3] Country specific recommendation n°3 for Poland.

employment protection legislation as regards permanent contracts in order to reduce labour market segmentation"[4].

The current labour market trends which show that the increase in employment since 2010 was mainly borne by more temporary jobs and to a very little extent from permanent jobs, point to a risk of seeing an increase of in-work poverty in the coming years. At the moment, a large share of the population is still in precarious work.[5]

The lessons learned and the recommendations made last year have not been followed up.

When putting forward the Annual Growth Survey for 2012 in November last year, the Commission already sent a warning that on the basis of member states commitments made in 2011, the EU 2020 targets on poverty and social exclusion, employment and education would not be met.[6] However, the National Reform Programmes of 2012 are not showing any improvement in the setting of national commitments for these social targets.[7]

For a better Europe, we call on you to:

A. Invest in a Social Pact in the economic governance that will support an inclusive growth with quality jobs, adequate social protection systems and accessible public services and ensure reduced poverty and social exclusion. The Social Pact will provide the missing link between poverty reduction and social inclusion, sustainability and growth and should at least comprise actions to:

- **Implement the commitment to lift at least 20 million people out of poverty and social exclusion**, to improve the lives of people while bringing economic benefits for society.
- **Invest in quality and sustainable employment** to counter the increase of precariousness, indecent working conditions, labour market segmentation and in-work poverty and to guarantee decent wages.
- **Invest in quality education and training** to achieve equal opportunities, social inclusion and full participation, to include the disadvantaged groups as well as to safeguard the education of the new generations and the prosperity of our society.
- **Invest in quality social and health services** as a potential source of quality employment and as an answer to the ageing population, the need to support early childhood interventions and the marginalisation of vulnerable groups.
- **Ensure affordability of housing** to respond to the current housing market crisis and to address the growing need for affordable housing for an increasing part of the population.

B. Involve citizens and civil society organisations at local, regional, national and European level in the decision making process of the economic governance and the implementation of the Europe 2020 Strategy in order to give a voice to those who are directly impacted by budget and fiscal consolidation. Their involvement will help to reduce the current democratic deficit of the European governance.

[4] Country specific recommendation n°4 for Slovenia.
[5] COM (2012)299, p. 15.
[6] Annual Growth Survey 2012 - Progress report on the Europe 2020 strategy, page 3-4.
[7] Overview of Europe 2020 targets 2011 vs overview of Europe 2020 targets 2012.

As Social Platform we want to propose to you an alternative to the austerity measures that can support an inclusive growth. You will find in the annex how some of the CSRs can support the implementation of a European Social Pact in the economic governance. You will also notice the recommendations which are in contradiction with an inclusive growth and run against the development of a European Social Model.

We trust that we can count on your support.

Yours sincerely,





Conny Reuter
President

Pierre Baussand
Director

Social Platform is the largest civil society alliance fighting for social justice and participatory democracy in Europe. Consisting of 45 pan-European networks of NGOs. We campaign to ensure that EU policies are developed in partnership with the people they affect, respecting fundamental rights, promoting solidarity and improving lives.

ANNEX

INTRODUCTORY NOTE: this annex is based on a first exchange between Social Platform members on the Country Specific Recommendations.

A. Investment in a Social Pact to support an inclusive growth and respond to the social deficit of the economic governance

This Pact should comprise a set of concrete actions for protecting the vulnerable and for investing in social protections and social inclusion infrastructures, quality and sustainable employment and social services.

The Pact is the first step towards a social pillar in the economic governance. Investment in the pact should at least comprise of actions to:

1) **Implement the commitment to lift at least 20 million people out of poverty and social exclusion.** This will not only improve their lives but will also prevent rapidly increasing social, health and economic costs, and bring economic benefits for society.[8]

HOW

- **Defend investment in social protection systems and their role as automatic economic stabilizers**, and give recommendations that back fairer fiscal consolidation and promote benefits and social protection services at adequate levels for a dignified life across the life cycle.
- **We call for recommendations which give priority to Inclusive-growth friendly taxation systems: which redistribute income and wealth through progressive income taxes, challenge flat rate tax systems as regressive**, promote new sources of tax such as environmental taxes and financial transaction tax and tackle tax evasion and tax avoidance including through closing tax havens.
- **We call for all CSRs to be amended in order to address the adequacy of social protection systems**, building on the one addressed to Bulgaria and calling for "investments to focus on the improvement of the effectiveness of social transfers and the access to quality social services".
- **Specific recommendations on the implementation of integrated Active Inclusion Strategies[9] should be formulated for all member states**, ensuring adequate minimum income, access to services and inclusive labour markets.

WHY

- **Poverty and the risk of poverty are increasing**. Poverty in the European Union has increased by 2 million since 2010.[10]
- **The EU 2020 target to lift 20 million people out of poverty will not be met**. On the basis of the 2012 National Reform Programmes, only 12 million people will be lifted out of poverty by 2020. Two Member States even lowered their national target.[11]
- **Social protection systems reduce poverty by 1/3,** but austerity measures are undermining the effectiveness, and increasing hardship with long-term social, economic and health costs.
- **The focus on growth-friendly taxation focussing on consumption, disproportionately impacts on people on low-incomes.**

[8] COM (2012)299, EC Communication of May 30, 2012 on Action for stability, growth and jobs, p.3
[9] The Active Inclusion Strategy combines (1) adequate income support, (2) inclusive labour markets and (3) access to quality services, EC Recommendation on Active Inclusion, October 8, 2008.
[10] COM (2012)299, p. 14.
[11] Overview of Europe 2020 targets 2012 - The German target amounts to little more than four fifth of the Belgian one with a population that is eight times as large – The Dutch target amounts to not even one fourth of the Belgian target with a population that is one half larger.

- **Only a limited number of countries received a recommendation to combat poverty.** Even then however, these recommendations are mainly restricted to activation measures to enter the labour market through "incentives to work" and hardening conditionality. This will increase hardship where there are not sufficient or appropriate jobs available.
- **None of the CSRs** refer to the Commission's recommendation on Active Inclusion Strategy.

2) **Invest in quality and sustainable employment.** Creating precarious jobs goes against inclusive growth.

HOW

- **We call for quality employment and regulation including progress towards a framework on living wages** to be achieved through measures that at least counter precariousness, fight in-work poverty and guarantee decent wages.
- **We call for the CSRs to be amended, building on the positive recommendations** set for example for Hungary calling for "increasing the quality and effectiveness of training, job search assistance and individualised services with particular regard for disadvantaged groups".[12]
- **We call for the CSRs to address pension gaps from a gender equality perspective and to address the gender pay gap** building on the recommendation set for example for Austria[13] and set a target of at least 5% reduction in each member state over the coming eight years . The CSRs also need to be strengthened on wage composition (issued to 17 countries) to include reduction of the gender pay gap.

WHY

- **None of the CSRs address the issue of quality employment**. Firm recommendations should be formulated for all member states.
- **An increase in the number of working poor shows that having any kind of job is not enough**. The current labour market trends show that the increase in employment since 2010 was mainly borne by more temporary jobs and to a very little extent from permanent jobs. This creates a risk of increasing in-work poverty in the coming years. At the moment, a large share of the population is still in precarious work.[14]
- **The gender pay gap exists in all member states** with specific characteristics in different countries (highly gender segregated labour markets, lack of child and dependent care facilities, high levels of female part time work, low levels of older women (55-64 age group) on the labour market).
- **Most CSRs call for lowering employment protection, increasing flexibility and lowering wages, thus lowering the quality of employment** by requesting for example: "reform of the system of wage indexation"[15], "ensure that the minimum wage adaptation support competitiveness and job creation"[16], "limit use of civil law contract and extend the probation period for permanent contract"[17], or "adjust employment protection legislation as regards permanent contracts in order to reduce labour market segmentation"[18].

[12] Country specific recommendation n°4 for Hungary.
[13] Country specific recommendation n°4 for Austria.
[14] COM (2012)299, p. 15.
[15] Country specific recommendations to Belgium, Cyprus, Luxembourg, Malta and Sweden.
[16] Country specific recommendation n°7 for Slovenia.
[17] Country specific recommendation n°3 for Poland.
[18] Country specific recommendation n°4 for Slovenia.

3) **Invest in quality education and training as part of a life-long learning approach** to achieve equal opportunities for all, promote more socially cohesive societies and safeguard the employability of new generations and the prosperity of our economies.

HOW

- **We call for integrated approaches to life-long learning** based on universal, affordable quality systems accessible to all, with specific support for excluded or vulnerable groups throughout the life course.
- **We call for the CSRs to be amended based on the positive recommendations** set for Germany, Hungary and Slovakia. This implies an investment to raise the educational achievement of disadvantaged groups, notably through ensuring equal opportunities in the education and training system, ensuring access to and quality of schooling and ensuring adequate financing.
- **Additional recommendations need to be formulated to ensure integrated approaches** working with families, local communities, schools and young people themselves, through formal, informal and non-formal settings.

WHY

- **The global EU target of early school leaving will not be reached on the basis of current national commitments.** The national targets set in the national reform programmes of 2011 as well in 2012, suggest that an early school drop-out rate of 10.5% would be achieved by 2020, thus missing the common European target of a maximum of 10%. Early school leaving still averaged 14.1% across the EU in 2010 compared to 14.4% in 2009.[19]
- **Now only eight countries** received a CSR addressing the education target.

4) **Invest in social and health services** as a source of quality employment[20] and as an answer to the ageing population, the need to support early childhood interventions and the marginalisation of vulnerable groups.

HOW

- **We call for the CSRs to be amended, building on the positive recommendations** made to the Czech Republic and Poland, to call for the investment in increasing the availability of affordable and quality services and facilities, ensuring stable funding and investment in public infrastructures and providing qualified staff. Now only eight member states received a CSR on investing in social and health services.

WHY

- **Social services are a massive opportunity to develop quality employment** as the demand for services increases –the sector has the potential to deliver a 5 – 7% increase in employment in the EU. The prevailing discourse of underinvestment in social services will stifle the very growth member states and the European Council wish to see.
- **The size and fast growth of these sectors (twice the employment growth overall) suggests they will remain a key driver in providing new jobs in the years to come and in developing a better, more inclusive society [21].**

[19] Annual Growth Survey 2012 - Progress report on the Europe 2020 strategy, page 3-4; Overview of Europe 2020 targets 2011 vs overview of Europe 2020 targets 2012.
[20] See Commission's Communication: Towards a job-rich recovery of April 2012 calling on member states to "Improve health workforce planning and forecasting to match the demand and supply of health professionals better while offering them long-term job prospects and stimulate exchange on innovative and effective recruitment and retention strategies for health workers".
[21] Commission's communication « Towards a job rich recovery » of April 18, 2012 page 6

- **The ageing of the population will increase the demand for long-term care services.** Between 2008 and 2060, the population aged over 65 will increase by 79% while the population aged over 80 is expected to increase by 181%.
- **The increase in poverty and mental health problems are factors contributing to increased demands for social services**, while more of these services are closed down as a consequence on the ongoing austerity.

5) **Ensure the affordability of housing** in order to respond to the current housing market crisis and to address the growing need for affordable housing for an increasing part of the population

HOW

- **The CSRs should recommend that housing policies strengthen the stability of the housing market, ensure the affordability and availability of housing and housing energy, provide social housing and align rents with household income.**

WHY

- **Housing market imbalances in some member states are today impacting the economies of the entire EU.** For affordable housing providers, it makes sense to coordinate better national policies that have such a tremendous impact on others.
- **Housing is a major household cost and affordability is diminishing**, exacerbated by the impact of the crisis and the activities of some member states which have reduced rent benefits and supports and regulation on prices. Rising prices and increased indebtedness around housing costs is driving increasing homelessness, evictions and poverty in several member states.

B. Involvement of citizens and civil society organisations at local, regional, national and European level

The involvement of citizens and civil society organisations at local, regional, national and European level in the decision making process of Europe 2020 and the economic governance will give a voice to those who are directly impacted by the budget and fiscal consolidation. **This will help reduce the current democratic deficit of the European governance.**

HOW

- **Ensure that civil society organisations and people coming from disadvantage groups are engaged** as part of a meaningful regular dialogue process with stakeholders at national, regional and local level in the design, delivery and evaluation of the National Reform Programmes and the National Social Reports.
- **Organise twice a year a Social Summit on inclusive growth** as a high level forum for a civil dialogue between EU institutions and EU civil society organisations focusing on quality employment and the reduction of poverty and social exclusion, to complement the already existing Tripartite Social Summit for Growth and Jobs.

WHY

- **Only for Luxembourg is there a recommendation addressing the need to ensure stakeholder's involvement**, but even this one does not make any reference to civil society.
- Despite recital 16 of the integrated guidelines, the conclusions of the European Council of 24-25 March 2011 and the guidance provided by the Commission's Secretary

General, **few members of Social Platform have been involved in the drafting, monitoring and implementation of the National Reform Programmes**, and almost none in a meaningful process which took on board their input, despite their expertise on the ground. Civil society organisations are a clear asset in making sure that people are active in shaping their society.

- **Following the adoption of EU led austerity measures, we all witnessed the social unrest and demonstrations** in Greece, Spain, Italy, Portugal, and the UK and in many other countries, reflecting the breakdown of trust in national and EU institutions and democratic process. None of the national leaders and governments that where in office at the time of austerity measures being introduced in member states, were afterwards reelected.