

5 December 2016

To: Ministers for Employment and Social Affairs

Letter to the EPSCO Council: December 8 and 9

Concrete actions to tackle Poverty and rising inequality based on social rights are necessary to ensure AGS 2017 delivers on signs of hope

Dear Minister,

We are writing to you on behalf of EAPN, the European Anti-Poverty Network: The largest, platform of anti-poverty organisations in Europe, representing more than 6000 organisations across 31 countries, working in partnership with the EU since 1990.

At the **EPSCO meeting on the 8-9 December**, you will discuss your first response to the 2017 Annual Growth Survey, in the context of the upcoming European Pillar of Social Rights. EAPN writes to highlight our key concerns regarding this topic.

In September, President Juncker, following Brexit and the migration crisis fall out, underlined in his **'State of the Union Address'**: *"Europe is facing an existential crisis – with the loss of common ground and risk of fragmentation"*. He recognized the risks of high unemployment and social inequality, as well as the challenges of integrating refugees. He highlighted the need for the EU to be a "world leader in the fight for human rights and fundamental values". However, there was almost **no reference to social rights, social standards or social investment** nor how the EU was going to work to take **urgent action to reduce the continuing unacceptable levels of poverty and social exclusion and growing inequality** in a large number of Member States.

The rise of **populistic politics, of xenophobic attacks, of narrow nationalism**, is sending alarm signals to the EU, warning of the risks of 'ignoring the invisible', the 'losers from globalization', the millions of people facing poverty every day, and those experiencing exclusion and discrimination...

The EU's credibility crisis will only be solved by concrete initiatives that show that the EU is committed to guaranteeing social rights and social standards. A high profile strategy to tackle the unacceptable levels of poverty and social exclusion (1 in 4 of the population) backed by effective use of EU funds is urgently needed. This integrated strategy should promote access to quality jobs, services and income support, and social protection. We need a shift to sustainable development, rather than only prioritising market-led growth and activation into poor jobs.

With the launch of **the AGS 2017** in November, as part of the Autumn Package, EAPN was pleased to **welcome some signs that could lead to progress**. In particular, we welcomed the intention to promote “social fairness” and 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*”. We call on Member States to support and build on these positive signs. However, the lack of **explicit mention of the European Pillar of Social Rights** and the repetition of 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 priorities 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 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 about the **lack of transparent evaluation of the overall social impact of the Investment Fund** to see if it is contributing to the reduction or increase in inequality within and between member states. 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 the current discussions around the **MFF** (Mid-Term Review of the Multiannual Financial Framework) which appears to be proposing changes to the regulation to allow Member States flexibility to shift funds from Cohesion funds, even ESF. This will prioritise ‘investment for market-led growth’ undermining social investment for inclusive growth and social cohesion.

In the section on pursuing **structural reforms**, EAPN welcomes the focus on **job creation, on 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 also said about how quality work is going to be achieved. The language around **minimum wages** is highly ambiguous, 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 the working conditions, including permanence of job contracts and employment and social protection.

The strongest focus on social objectives is 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**.

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**. The EU urgently needs to **guarantee social standards** in this area, hopefully through legal instruments to follow up from the **European Pillar of Social Rights**, for example a **Framework Directive on Minimum Income, and EU Unemployment Benefit Scheme**. The EU must 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.

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 paying “*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.

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**, including the dropping of sanctions regarding Structural Funds for Spain and Portugal, is strongly welcomed. 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 services**, and not just leverage for private investment and support for market-led growth.

Finally, although a welcome mention is made of needing stronger dialogue with Member States, and increasing the involvement of national parliaments and social partners, **no mention is made of civil society**. This is highly regrettable. The EU will not win back support without reaching out to citizens across the EU, and particularly those facing the greatest challenges. NGOs, particularly anti-poverty organisations, are crucial to connect with these people, and to work with them to engage in dialogue processes like the European Semester and the Social OMC. They are also ready to work with the EU and MS to build **innovative grass-root initiatives** with the support of EU funding that can make a real difference to people in poverty, by supporting people into decent jobs, and to social participation resulting in better integration into society. Participation is key to restoring confidence in our democracy and institutions.

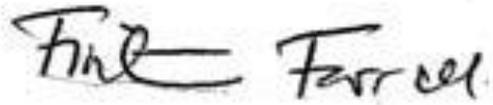
We call on Social Ministers to send a message that social rights, standards and infrastructures are essential public goods and pre-requisites for sustainable development and more equal, socially cohesive societies. We call on Social Ministers to press for increased priority in the AGS to guaranteeing social rights, putting the fight against poverty back at the top of the

agenda and supporting civil society engagement, both as dialogue partners in the European Semester and other EU policy processes. We call on Social Ministers to ensure better use of existing EU Financial Instruments and increased EU Funds to promote integrated actions to fight poverty.

Yours sincerely,



Sérgio Aires
President



Fintan Farrell
Acting Director

Cc: Commissioner Marianne Thyssen, European Commissioner for Employment, Social Affairs, Skills and Labour Mobility; Thomas Händel MEP, Chair of the Committee on Employment and Social Affairs, European Parliament.

See also:

- EAPN **Assessment of the National Reform Programmes 2016 – *What Progress on Social Europe?*** – [Executive Summary](#); [full assessment](#) (Oct 2016)
- EAPN [Position Paper on the European Pillar of Social Rights – *Last Chance for Social Europe?*](#) (Sept 2016)