



Eurodiaconia input to Joint Employment and Social Protection Committee meeting, 3rd December 2014

THE ANNUAL GROWTH SURVEY 2015

1 December 2014

Dear members of the SPC and EMCO,

In the context of your meeting on Wednesday 3rd December and your discussion on the Annual Growth Survey, Eurodiaconia would like to draw your attention to the following elements we believe are essential to ensure that the AGS contributes to a smart, sustainable and inclusive Europe. Our key message is that despite some good elements, the AGS lacks a true social perspective, without proposals to address the still dramatic social situation millions of people experience across the EU. It does not take into account the need for social peace and social cohesion, both of which are prerequisites for growth and competitiveness. We would therefore ask you to take into account the following points in your contribution to the forthcoming EPSCO Council on this topic.

1- The findings of the Joint Employment Report need to be reflected in the AGS

The draft JER makes important statements relating to poverty and unemployment, but they are not taken into account in the AGS itself. The JER states *“At-risk of poverty rates for the working age population are on the rise in many Member States...In many countries the increase comes on top of already high poverty risk levels, often compounded by drops in the level of the poverty threshold over the period”*. Yet such a concern is not reflected in the AGS. The JER also states *“potentially worrying key employment and social developments and levels leading to divergences across the EU and warranting further analysis and possibly stronger policy response could be detected along three dimensions”* (p39), yet no social policy responses are made in the AGS.

We ask you to request that the link between the JER and AGS is made explicitly, that the JER contributes to analysis and recommendations in the AGS addressing poverty and social exclusion.

2- The AGS 2015 must respond to the current social situation

The three pillars of action do not appropriately reflect the need for member states to address the social situation. However, in your messages to the EPSCO you could reinforce their social dimension.

a) A coordinated boost to investment

The AGS 2015 rightly focus on the need to boost investment and Eurodiaconia welcomes the focus on investing in education. However, investing in human capital and preventing poverty and social exclusion requires a broader social investment approach, which the AGS completely lacks, as does the €300bn investment plan. Investments in adequate social protection systems, as an inseparable part of social investment, need to be maintained and improved to prevent further deterioration of the social situation, and prevent higher costs in the long-term. As the JER points out, *“Social protection systems activate those that are able to access the labour market, protect those most excluded from the labour market and shelter individuals from risks in their lifecycles”*. Whilst the need to address staff shortages in the health sector is

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addressed, we would ask you to recommend addressing shortages in the social sector through investment in it, a sector with major job creation potential.

b) A renewed commitment to structural reforms

The AGS 2015 concentrates on structural reforms, without establishing clear safeguards or a mechanism to take into account the social impact of reforms. For instance, it states on page 10 that *“Ultimately, reforming and modernising our economies is needed to underpin our European social model.”* But it does not address how reforms to date have negatively impacted the health of social models across the EU nor how this can be avoided in the future. We would ask you to call for better coordination of social and economic policies at Council level, including joint EPSCO and ECFIN meetings as endorsed by Commissioner Thyssen at the 2014 Annual Convention of the European Platform against Poverty, and pursue such a meeting as early as possible in 2015.

c) Pursuing fiscal responsibility

The AGS 2015 rightly recognised that fiscal consolidation has not been “growth-friendly” (p15) but it does not refer to or address the damaging social consequences of budgetary consolidation. We call on you to recommend that social investment be treated in the same way that investment outlined in the Investment Plan for Europe is, and be viewed with more flexibility under the Stability and Growth Pact.

3- MIP indicators need a strong social dimension

Despite the commitments made by Commissioners Thyssen, Moscovici and Dombrovskis to put social and employment indicators on the same level as economic ones, the poverty indicators remain auxiliary. The AGS 2015 states that *“In particular, employment and social indicators are being introduced into the macroeconomic imbalances procedure and should be fully used to gain a better understanding of the labour market and social developments and risks.”* (p17). We would ask you to remind the new College of Commissioners of this commitment and call for poverty and additional employment indicators to be included in the MIP on the same level as economic indicators

4- Increasing ownership of the European Semester process

There is a positive reference to the importance of the ownership and accountability of the process (p16). But the reference is limited and does not develop recommendations for meaningful involvement of national parliaments and civil society in the development of national and European policies. We propose that you use this as an opportunity to ask for clarification on the status and impact of the National Social Reports and the mainstreaming of social policies in the NRP.

If Europe is to have the AAA social rating it needs for future growth and stability, the European Semester must be driven by a balanced approach to economic and social policies. We ask that you carefully consider these proposals and remain at your disposition for further information.

Yours sincerely,

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