



## BRIEFING TO MEMBERS

### ANNUAL GROWTH SURVEY 2015

January 2015

#### INTRODUCTION

##### Why this briefing?

This briefing aims to inform Eurodiaconia members about what the Annual Growth Survey (AGS) is in general, what is its role in the context of the European Semester, what is the specific content of the AGS 2015, and how can this be used by diaconal organisations advocating at national level.

It is important for Eurodiaconia members to be informed of the content of the AGS 2015 to be able to use some of the positive hooks it provide while also standing against some of its assumptions.

##### What is the AGS?

The Annual Growth Survey (AGS) is a document issued by the European Commission. It takes stock of the economic and social situation in Europe and sets out the policy priorities for the year to come. It provides Member States with policy guidance for the following year.

The AGS is issued every year around November, and presents the planned direction for the following year. The AGS sets out what the Commission believes must be the EU's priorities for the coming 12 months in terms of economic and budgetary policies and reforms to boost growth and employment.

The AGS kicks off the European Union's annual cycle of economic policy guidance and surveillance: the European Semester. The "European Semester" aims for the coordination of Member States' economic and budgetary policies. Each European Semester, the European Commission analyses the fiscal and structural reform policies of every Member State, provides recommendations, and monitors their implementation. The AGS marks the start of this process.

The AGS 2015 was published on 28<sup>th</sup> November 2014 together with a package of related documents including the [fourth Alert Mechanism Report on macroeconomic imbalances in EU Member States](#) and the [2015 Joint Employment Report](#).

#### WHAT DOES THE AGS 2015 SAYS?

The recovery is weaker than expected. Low levels of growth, investment and employments limit Europe's growth prospects. The AGS aims to re-launch growth through a policy mix for a "new momentum for change" to "put Europe firmly back on a path of sustainable job creation and economic growth". It is based on **three main pillars**:

(1) **a boost to investment**: the European Commission has put forward a EUR 315 billion "Investment Plan





for Europe” mobilizing additional public and private investment over the period 2015-2017 to improve significantly investment in Europe and re-launch growth.

(2) **a renewed commitment to structural reforms:** to make the European economy more competitive and ensuring the right regulatory environment for long-term investment

(3) **the pursuit of fiscal responsibility:** to continue to restore confidence in the sustainability of Member States' public finances and break the vicious circle between sovereign debt developments and financial instability.

## How to use the AGS as a diaconal organisation?

Diaconal organisations can use the policy direction given in the AGS 2015 to support their analysis of the National reform Program or even other national policies. They can use the AGS statements as “hooks” to link with their own recommendations.

For instance, page 10 of the AGS states that *“ultimately, reforming and modernising our economies is needed to underpin our European social model. It is important that all members of society, in particular the social partners, can play a role and proactively support change.”*

How can this be used:

- *“Our European social model”*: many people argue that there is not a single “European social model”. It is interesting that the Commission uses this wording and it can therefore be used to argue on what is the nature and the minimum standards provided by this model.
- *“It is important that all members of society (...), can play a role”*: the European Commission underlines here the importance of stakeholders' involvement as will again be repeated later in the text.

*“Moreover, through the effects on growth, productivity and employment, provided the right channels are in place, it can contribute to improving the overall social situation and reducing poverty, as well as the sustainability of private and public debt.”*

- Once again, the European Commission uses as a firm statement what is in fact questionable, that growth will decrease poverty. It is called the trickle-down effect and is used to argue that the priority must first be growth. Diaconal organisation can take note of such statements and contest them.

## Eurodiaconia's remarks and recommendations following on the AGS 2015

### 1- The AGS 2015 must respond to the current social situation

The three pillars of action highlighted by the AGS do not appropriately reflect the need for member states to address the social situation.

#### a) A 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.



Whilst the need to address staff shortages in the health sector is addressed (page 2), we would ask you to recommend your national government to address shortages in the social sector through investment, as it is 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 these 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 some reforms to date (e.g. labour market flexibility) have sometimes negatively impacted the health of social models across the EU nor how this can be avoided in the future.

More and more experts claim that “*Although defending a more just society and inclusive solidarity has always been a core value of EU integration, there is mounting evidence that the policy options for the ‘euro-rescue’ are progressively eroding the EU’s social foundation*”<sup>1</sup>.

In this context, while the AGS 2015 recommends a renewed commitment to structural reform, it is important that diaconal organisations share their perspective on the need for structural reforms to be entrenched in key safeguards establishing for instance minimum social standards of protection for pensions, health care and family policy.

c) Pursuing fiscal responsibility

The AGS 2015 rightly recognizes that fiscal consolidation has not been “growth-friendly” (p15) but it does not refer to or address the damaging social consequences of budgetary consolidation.

The AGS 2015 closes with a statement on the “*clear need to monitor social progress and the impact of reforms over time.*”. This is a statement to be taken up by diaconal organisations at national level.

Finally, diaconal organisation can also advocate 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.

## 2- Increasing ownership of the European Semester process

The AGS 2015 includes positive references to the importance of stakeholders’ involvement for the ownership and accountability of the process (e.g. p10, p16 and p17). But the references do not develop recommendations for meaningful involvement of national parliaments and civil society in the development of national and European policies. They are also often limited to “social partners” rather than to “stakeholders”.

These references are however an opportunity for diaconal organisation to ask their member states for clarification on the status of the cooperation with stakeholders in the drafting of the National Social Reports and the National Reform Program. Eurodiaconia members can also use the [Eurodiaconia’s dashboard reporting tool on stakeholders’ participation in the European Semester](#) to assess and report on their level of involvement in the European Semester process.

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<sup>1</sup> P23, Economic crisis and austerity in Southern Europe: threat or opportunity for a sustainable welfare state?, OSE Research Paper Nr. 18 – January 2015, by Maria Petmesidou and Ana Guillén



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

The joint employment report (JER), published alongside the AGS, 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 AGS 2015 does not identifies addressing increasing levels of at-risk of poverty rates.

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. The AGS mentions the need to tackled unemployment but does not seems to acknowledge the “worrying key social developments”. It also refers to labour market segmentation but does not bring forward recommendation as to how to address it.

## CONCLUSION

The AGS 2015 has started to recognise the importance for civil society and national public authorities to work together for a better ownership of the European Semester process. However, it has failed to reflect the need to achieve both economic and social progress in the European Union and to give social wellbeing as much importance as economic development.

It is therefore essential that Eurodiaconia members take action at national level to influence the 2015 European Semester and in particular the 2015 National Reform Programmes, challenging those Member States who wish to follow structural reform without safeguarding social protection, while at the same time supporting those Member States who believe in a more balanced social and economic approach.

## FOR MORE INFORMATION:

### [European Commission website on the AGS and related document](#)

- [Annual Growth Survey 2015](#)
- [Joint Employment Report](#)
- [Alert Mechanism Report](#)

Eurodiaconia’s tool for involvement in the European Semester:

- [Eurodiaconia online toolkit on the European Semester](#)
- [Eurodiaconia’s Report on members experience of the European Semester 2014](#)
- [Eurodiaconia’s dashboard reporting tool on stakeholders’ participation in the European Semester](#)