

# Carrying the burden, diaconal work supporting people in need

*Third follow-up report on the impact of the autumn 2008 financial crisis*



# CARRYING THE BURDEN, DIACONAL WORK SUPPORTING PEOPLE IN NEED

THIRD FOLLOW-UP REPORT ON THE IMPACT OF THE AUTUMN 2008  
FINANCIAL CRISIS

## INTRODUCTION

September 2011

*Eurodiaconia is a federation of organisations, institutions and churches providing social and health services and education on a basis of Christian values in over 20 European countries. Our 35 members from 21 countries in Europe are active in the provision of social services. They are rooted in the Christian faith within the traditions of the Reformation as well as in the Anglican and Orthodox traditions. We work for quality of life in a social Europe, engaging in learning processes and an exchange of knowledge and service among our members across national and confessional boundaries.*

From January to March 2009 and from October to December 2009, Eurodiaconia carried out two surveys on the immediate impact of the economic and financial crisis on its members and its anticipated medium-term impact over the next three years. The synthesis reports were published in May 2009 and March 2010<sup>1</sup>, revealing that Eurodiaconia members have experienced **increasing needs** (e.g. increasing demand for services, especially debt counselling, emergency financial support and employment advice) and on the other hand **decreasing levels of support especially from public authorities**.

Eurodiaconia therefore resolved to follow up on its initial findings through regular monitoring of the impact of the economic and financial crisis on its members and on their ability to provide services to people in need, this time focusing more precisely on the issue of indebtedness.

The aim of the following report is to present the state of play of our members today and to compare the findings with the data collected in 2009 and 2010. The following report presents data and quotes from our members, reflecting their respective experiences of the impact of the financial and economic crisis.

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<sup>1</sup> [\*More in Need – More Needed\*, May 2009](#)

[\*The social cost of the crisis: even more in need and more needed\*, March 2010](#)

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# EXECUTIVE SUMMARY

Eurodiaconia members together provide services to millions of people in need across and beyond Europe. This third Eurodiaconia report on the impact of the financial crisis on its members provides confirmation of the trends described in the first two reports. It shows that the essential actors in the areas of social inclusion and provision of social services have been strongly hit by the economic and financial crisis. They are faced with increasing needs but also a decrease in public authorities' support.

Interestingly, the report also shows that Eurodiaconia members have somehow been able to shoulder some of the impact of the crisis. The reduction in service levels has not been in direct proportion to the impact of the crisis as the service providers have rationalized their services and increased their efficiency. To achieve this, Eurodiaconia members have had to stretch their resources and capacity, this means that the provision of social services is under pressure and that in some cases there is a real danger of our members having to refuse assistance to service users.

## Key findings

This survey demonstrates that our members, these essential actors, have already been strongly hit by the economic and financial crisis and are very uncertain as to what tomorrow will bring for them and for the people they serve. They also believe that, despite the importance of their role - especially in a time of crisis - public authorities are not giving them adequate support. The key findings are:

- key actors of social inclusion witnessing the impact of the crisis at all levels of society
- ever-increasing demand for social services
- high increase in households' over-indebtedness
- public deficit reduction measures have particularly affected the most vulnerable
- Eurodiaconia members feel there is a lack of adequate support for them

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*"We are concerned that the advances made in the last 40 years might be undone." Scotland*

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## METHODOLOGY

This third follow-up survey on the financial and economic crisis was carried out between January and May 2011 with the participation of 16 of our members, from 14 countries<sup>2</sup>. The respondents included four non-European-Union countries and twelve European Union Member States.

In comparison with the previous reports, there has been a decrease in the number of respondents (2009:21; 2010:20; 2011:16).

### *Four regions/ Respondents:*

Northern Europe – Iceland, Norway, Sweden, Denmark, Finland (x2)

Eastern Europe – Czech Republic, Poland, Hungary (x2), Serbia

Central Europe – The Netherlands, Scotland, Austria, Switzerland

Southern Europe – Spain

The questionnaire consisted of 27 questions, divided into seven sections touching on different areas of impact of the financial and economic crisis, as follows:

- i. impact on the organisation and partners
- ii. impact on its members
- iii. focus on over-indebtedness
- iv. impact on finances and funding
- v. impact on public policies
- vi. impact on publicly-run social services
- vii. miscellaneous
- viii. conclusions

The answers are synthesized in the following report. It first provides a general overview of the impact of the crisis on Eurodiaconia members, their partners and their own members. It then goes on to examine in more detail the extent of the impact on Eurodiaconia's members, in particular on social and health providers' funding and their activities in the provision of services related to household over-indebtedness. Finally it reveals the challenge to members presented by an ever-increasing demand for services which is not efficiently sustained by public support but is nonetheless met through the effort and determination of dedicated Eurodiaconia members, under the following headings:

- Eurodiaconia members still affected by the crisis
- the social cost: long-term increasing needs
- focus on indebtedness
- weak support from public actors
- overcoming the crisis: bearing the cost and supporting the most vulnerable through competence and solidarity

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<sup>2</sup> See Annex 4 for the List of Respondents

### ➤ EURODIACONIA MEMBERS STILL AFFECTED BY THE IMPACT OF THE ECONOMIC CRISIS

#### *A major impact for members at local, regional and national levels*

In our last report, when members were asked to evaluate the impact of the crisis at local, regional and national levels, the majority of members indicated that the crisis had had a major impact at all three levels.

In 2011 Eurodiaconia members reported a continuation of this trend; in the last survey a great majority of respondents reported a major impact at all three levels – especially local level (Figure 1).

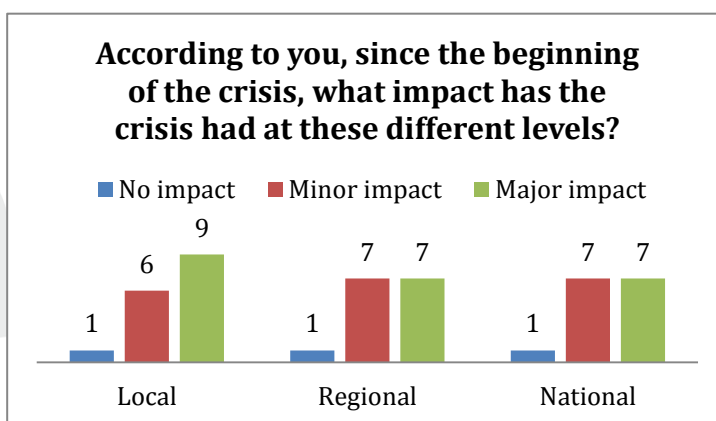


Figure 1

#### *Impact on partner organizations*

In 2010 a majority of Eurodiaconia's member organisations reported a major impact of the crisis on their partner organizations and expressed great concern for the future.

In 2011 the trend continued (Figure 2) at local, regional and national levels, as the great majority of respondents indicated either minor or major impact on their partners' activities. As the table below indicates, the perceived degree of impact on partner organisations has remained stable, varying between minor and major, whereas the number of respondents expecting no impact has consistently decreased over the years.

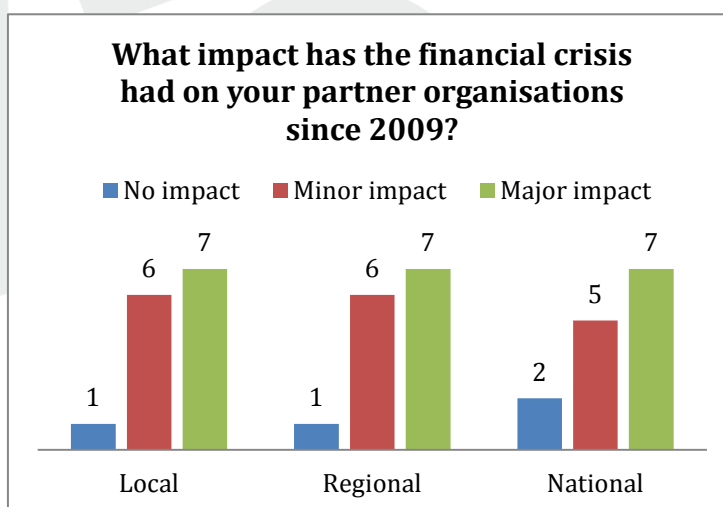


Figure 2

***A lasting Europe-wide impact***

A majority of Eurodiaconia members are experiencing an impact from the crisis. In Austria, Denmark, the Netherlands, Poland and Sweden, members continued to experience minor impact. A large number (9 out of 15) of respondents indicated that they were experiencing a major impact in their countries and regions, including the Czech Republic, Finland, Hungary, Iceland, Scotland, Serbia, Spain and Switzerland. Only one Eurodiaconia member (Norway) indicated that they had experienced no impact, explaining that *“Although economic growth has slowed down as a result of the financial crisis, “no impact” is the best answer.”*

For most organisations the situation remains the same as in the year before; Iceland has continuously reported major impact, whereas for Sweden and Denmark the crisis has only had a minor impact since its inception. One member (the Czech Republic) has experienced a worsening of its situation since 2010.

*According to you, since the beginning of the crisis what impact has the financial crisis had?*

**Green** = No impact; **Blue** = Minor impact; **Red** = Major impact; **Black** = No relevant data available

Impact experienced in 2009	Experienced in 2010	Experienced in 2011	Evolution
Austria	Austria	Austria	N/A
Czech Republic (Slezska D.)	Czech Republic	Czech Republic	Increase
Denmark (Kof.)	Denmark	Denmark	Stable
Finland (Church of Finland)	Finland	Finland	Stable
France	France	France	N/A
Germany	Germany	Germany	N/A
Hungary (Ref Church)	Hungary	Hungary	Stable
Hungary (Ev.Lut church)	Hungary	Hungary	N/A
Iceland	Iceland	Iceland	Stable
Netherlands	Netherlands	Netherlands	Decrease
Norway (City Mission)	Norway	Norway	Stable
Poland	Poland	Poland	Stable
Scotland	Scotland	Scotland	N/A
Serbia	Serbia	Serbia	N/A
Spain	Spain	Spain	Stable
Sweden (Church of)	Sweden	Sweden	Stable
Switzerland (SEK-FEPS)	Switzerland	Switzerland	Stable

## ➤ THE SOCIAL COST: INCREASING NEEDS

### Demand for social services

It can be very clearly observed that since 2009 members have experienced increasing demand for debt counselling and emergency financial support. There has also been a slight increase in services for homeless people. Quite interestingly, one can also observe a more substantial increase in the demand for services provided for undocumented migrants and for the Roma people.

*“Customers in our food programmes have increased by 20% in 2010.” (Finland)*

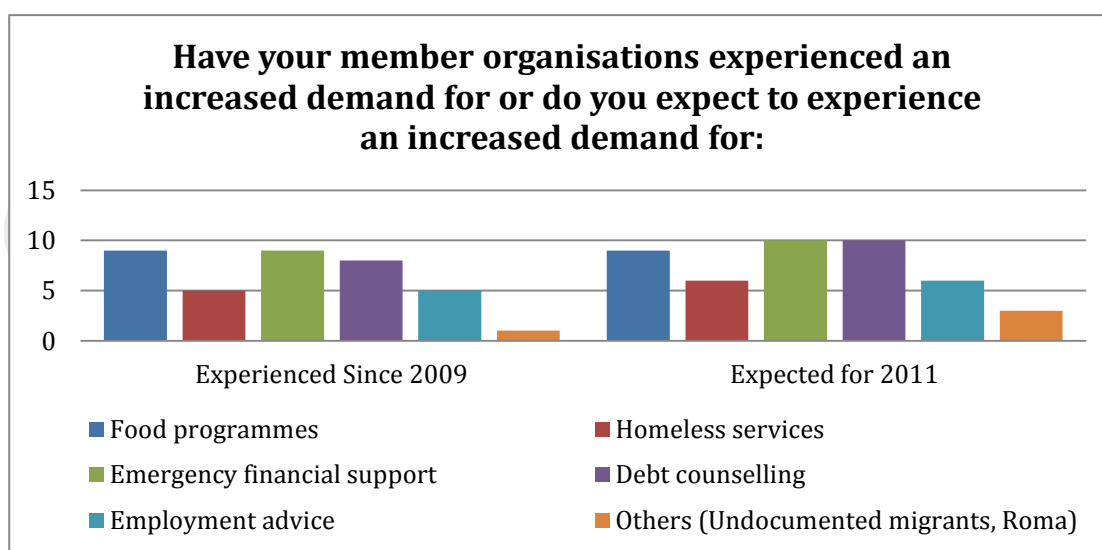


Figure 3

When members were asked to provide more details of the services in demand, the most common response was that there were now **more people seeking help in general**, that is a growing number of people struggling equally with unemployment, homelessness and indebtedness. A common trend among our members was the **emergence of new groups** of people seeking help, such as young adults, children and single parent households; moreover this increase in demand had not been matched by any corresponding decrease in the size of those groups that had previously come to rely on the services provided.

Our member from the Netherlands reported that the number of people seeking **financial support** and **debt counselling** in 2010 had more than doubled from the year before. In the Netherlands both the level of indebtedness and the number of people suffering from financial troubles have significantly increased; our member reported an alarming 700,000 households struggling with debt issues. Other member organizations have also reported issues of **increasing indebtedness** in their respective countries, including a Hungarian member who stated that the demand for debt counselling has substantially increased in the country. In some cases member organizations have been able to create new services to match the increased demand, but this has not always been the case.

*“(--) That means our good social security system breaks down and diaconal organizations and churches will receive more requests for help and will have to assume a new position in the local community.”(Netherlands)*

Members have also identified **decreasing funding** from national level as having had a major impact *vis-à-vis* an increase in demand for food programmes and for debt counselling and



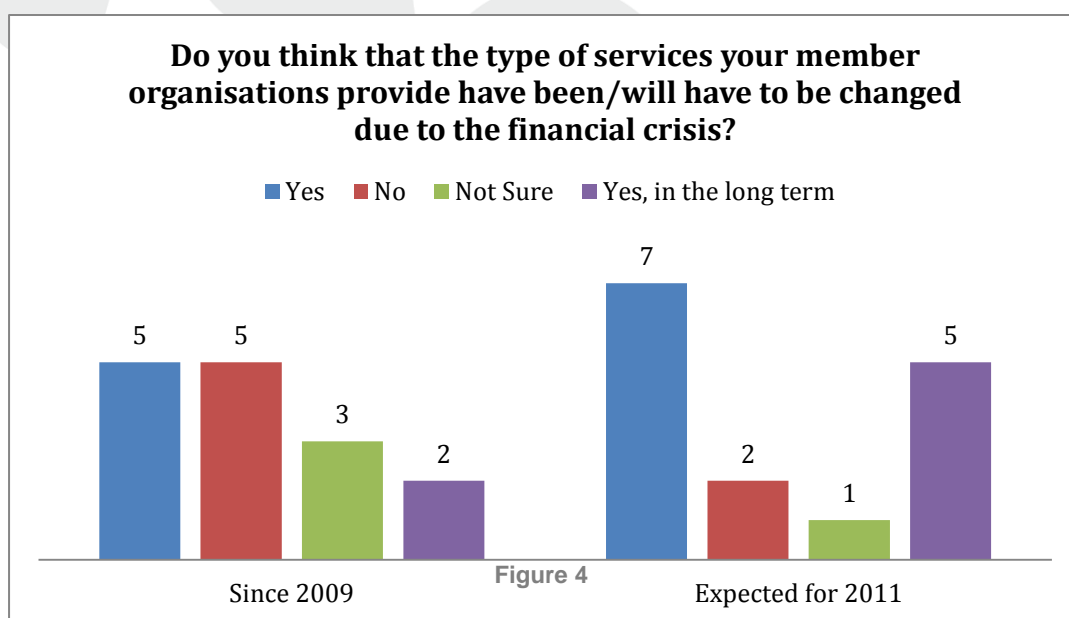
employment advice. One member claims that its government has decreased its support to social service providers by 10% since last year; and also that it had issued restrictions on the rules regarding donations to NGOs, which has so far had a direct negative impact on public and private donations.

Many members took the view that the following year would be a difficult time for service providers, as many organizations would be forced to consider decreasing the range of their services.

Many organizations had experienced a **dramatic increase in the demand for food programmes** (e.g. Finland), but as a result of the crisis there had been some difficulty in obtaining food products from companies. In some cases the demand for food packages exceeded supply, and people were left empty-handed.

### ***Should there be changes to the types of services?***

A majority of respondents believed that the type of services they currently provide would have to change in future so as to accommodate the needs of people suffering from the repercussions of the crisis. Moreover, when considering the long-term effects, five respondents expected that these changes in their organizations would persist.



When respondents were requested to identify how and why the services they provide had changed or were likely to change in the future, most attributed this change to the **lack of finance** and to the **emergence of new groups** of people seeking help. Some organizations stated that they had had to reduce their provision of services in order to focus their assistance on the most vulnerable.

One of Eurodiaconia's Norwegian members explained that, since there are more migrants within and outside Europe wishing to enter Norway owing to difficult financial situations in their home countries, their organization has had to increase their service support for migrants. On the other hand, as our Swedish member pointed out, these new services require more staff and more time which adversely impacts on other services, as organizations are already struggling to accommodate the growing levels of need.

As our member from the Netherlands pointed out, the problem is that many people now fall between "safety nets", as the government narrows its help to certain specific groups while others are expected to be autonomous. However there are for instance very few good working opportunities for people with disabilities, and they will most likely need support in finding employment and assistance so as to be able to remain in the labour market. Our Dutch

member predicts that situations such as this will force diaconal organizations and social services providers to take on larger roles in their local communities in the future.

### ***Providing and refusing assistance to service users***

When considering whether, since the start of the financial crisis, member organisations have had to refuse assistance to eligible service users as a result of the circumstances brought on by the crisis, the results indicate a slight but still clear increase in the number of refusals from service providers.

***Did your member organisations have to refuse assistance to eligible service users / do you expect your member organisations to have to refuse assistance to eligible service users? (1=yes)***

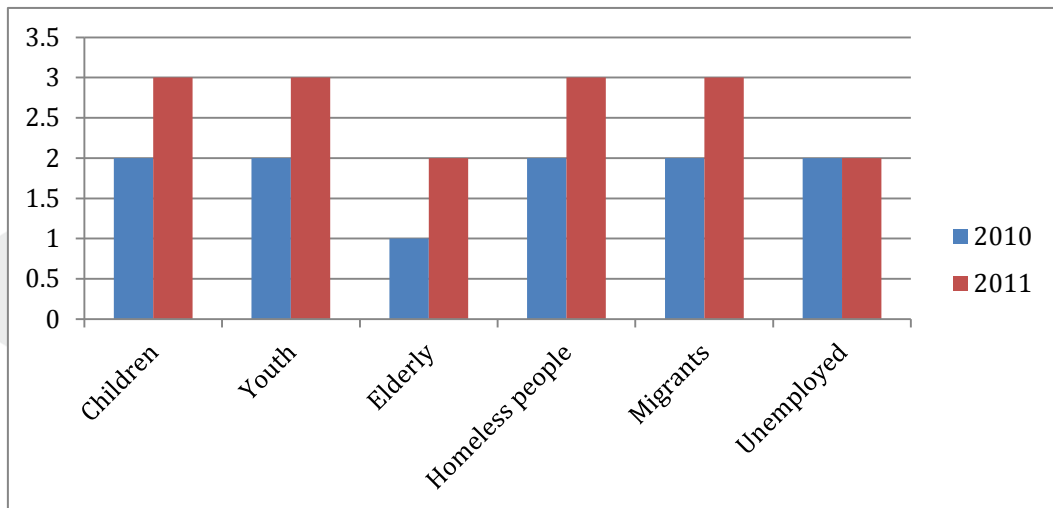


Figure 5

## ➤ A GROWING TREND: OVER-INDEBTEDNESS

Following on the results of Eurodiaconia's second report on the impact of the crisis, which testified to Eurodiaconia member organisations' experience of an increasing demand for debt counselling services, Eurodiaconia's third survey on the impact of the crisis focused on indebtedness. The results are unambiguous, as members have continued to experience an increase in the trend in household over-indebtedness since the start of the financial crisis, as shown in figure 6. A majority (8 out of 12) of organisations working with debt-related issues expect the increase in household over-indebtedness to persist during 2011.

### **Provision of debt-related services**

Figure 7 below shows the sub-division of debt-related services provided by Eurodiaconia's member organisations. Services such as debt advice and debt prevention were those most sought after by end-users, although many organisations also provided assistance with responsible money borrowing, arrears management and advocacy on responsible lending. The "other" services provided by members (5%) include emergency financial assistance and assistance with taxes.

### **Have you witnessed an evolution of household over-indebtedness?**

■ Increase ■ Decrease  
■ No evolution ■ I don't know

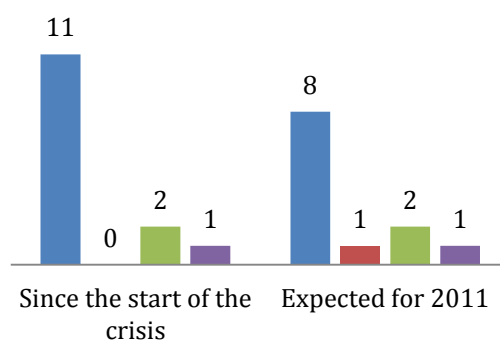
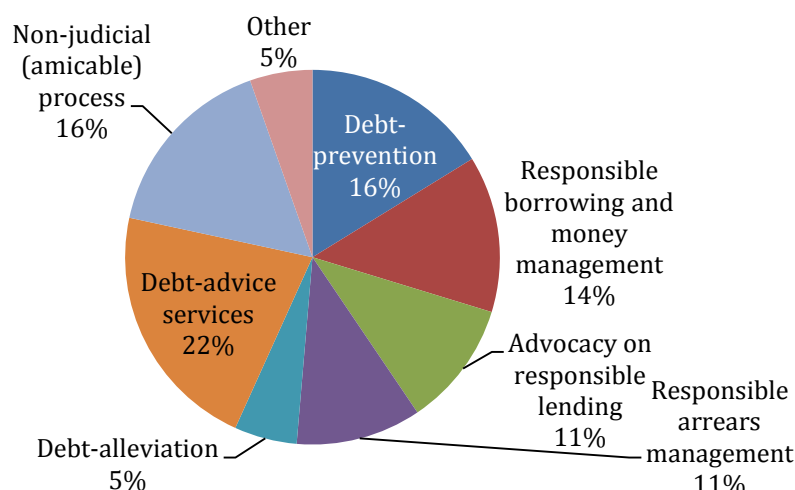


Figure 6

### **Provision of debt-related services:**



### **Causes of Household Over-Indebtedness**

Figure 7

Eurodiaconia's member organisations were asked about their understanding of the causes of over-indebtedness, in order to understand better the connection between the economic crisis and the increase in demand for services. Most members identified the causes of household over-indebtedness as both structural and linked to individual behaviour patterns.

It appears that household over-indebtedness is fast becoming an EU-wide problem and its roots lie in several different sources in a number of Member States; most Eurodiaconia member

organisations would support the claim that living under the strain of the financial crisis has become too difficult for families and single-parent households.

The structural causes of household over-indebtedness are mostly attributed to a low level of income and inflexible working conditions. According to a Finnish member, the level of social security is too low and too complicated in many countries and there is too much pressure on economic growth at both national and EU levels. Moreover, member organisations consider that the challenges of everyday life in EU Member States have become too high, especially for families with children. The burden of increasing taxes in many countries is also identified as having a major negative impact on individual households.

Member organisations also point out that it has become far too easy to lend and borrow money and to take on expensive mini-loans.

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*“We should concentrate on other values besides economic growth, consumption and ownership; such as care, tolerance and a sense of community.”(Finland)*

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Members agree that individual factors - such as living beyond one's means and lack of budgeting skills – can act as the driving forces leading to personal over-indebtedness. Moreover, constant borrowing and lack of money-handling skills, long-term unemployment and inflexible working conditions, as well as bad personal and professional relationships, are also identified as factors negatively impacting on a person's ability to avoid financial difficulties.

#### ***How to fight over-indebtedness?***

When member organisations were questioned as to the policies and legal measures they would like to see established to fight over-indebtedness, some countries (e.g. Finland, Sweden) unhesitatingly expressed the view that the level of social security benefits should be higher and that the social security system should be simplified and made more accessible.

Member organisations often also took the view that governments should prohibit, or at least restrict, the advertising and granting of loans with high interest rates. One member observed that there needed to be better examination of applicants' credit details before granting loans of any kind. The legitimacy of “predatory lending” is called to question by many respondents who believe that financial institutions have too much scope to “manipulate” people into taking out risky loans.

According to our Danish member it is also vital to teach people, youth in particular, how to handle financial matters. Banks and other financial institutions should offer counselling services independent of their own interests, as too often those interests become entangled with the services the institutions provide.

Another member suggested that national governments should support local organisations and diaconal organisations financially, in order for those organisations to be able to set up debt-counselling services for the most vulnerable who may not be able to seek financial assistance from other institutions.

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*“Many young people don't know what an interest rate is and how it is calculated or what it means to buy in instalments. “ (Denmark)*

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## ➤ WEAK SUPPORT FROM PUBLIC AUTHORITIES

Eurodiaconia's members generally do not feel supported by their public authorities. The need for the services they provide is increasing, yet they are also having to face a decrease in funding, recently exacerbated by deeper budget cuts (austerity measures). Furthermore they do not feel that their experience is taken into account in the shaping of public policies.

### **Public Funding**

Most respondents agreed that in their respective countries government funding has decreased.

Members have generally been reporting a significant loss of funding from both local and national authorities. A Serbian Eurodiaconia member further explains that local funding in their country was reduced by 50% in 2010.

The Polish Eurodiaconia member reports a similar trend, local authorities having cut funding by 10% in the past year. Our Spanish member has lost both local and regional funding because of the crisis, and is struggling to find funds for integration policies targeted on migrants. Most organisations also report a loss of grants from local and regional authorities in their respective countries.

When members were asked whether they expected to lose public funding in the future, a modest majority (10 out of 16) expressed such fears. These results indicate that, regardless of their current situation, most member organisations are unsure about the future.

### **Austerity measures' impact on the most vulnerable people**

A great majority of members (11 out of 15) report that, since the start of the crisis, the governments of their respective countries have adopted austerity measures that have had an impact on public policies. For instance, the Eurodiaconia member in the Netherlands has indicated that the Dutch government has planned on cutting down €18 billion in the social sector, specifically targeting people with disabilities.

Most respondents agree that austerity measures have mostly hit vulnerable people. According to our Danish member the most vulnerable people in their country have not been directly hit by austerity measures but, as a result of the severe situation in municipalities, social services for vulnerable people have unavoidably suffered.

In Finland the most vulnerable people, including families, single parent households, the young, the elderly and the

### **Do you expect to lose funding in the future?**

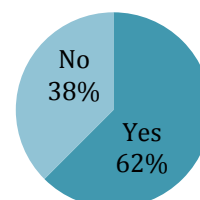


Figure 7

*“The situation in municipalities is very tight due to severe cuts in regional budgets.”*  
(Denmark)

*“The impact is that organisations at local, regional and national levels have to be more critical and reserved in regards to the services that they support.”*  
(Netherlands)

disabled, have all experienced a progressive worsening of their situation since the start of the crisis.

In the Czech Republic the Ministry of Employment and Social Affairs is currently preparing a reform of the laws on employment and social security which, according to the local member, is expected to bring about a more complex social security system and a worsening of the situation of the most vulnerable people.

In Austria public cuts have had a negative impact on the work done on inclusion in schools of children suffering from mental or physical disabilities.

### ***Austerity measures' impact on Social Policies (employment, housing, family benefits)***

Eurodiaconia members are reporting a major impact on families. In Hungary, Denmark and Austria governments have reduced family allowances and benefits significantly and introduced a number of other cost-saving measures. In Austria this includes restricting benefits to young people aged 18-21, and according to our Austrian member this measure is having a major negative impact on young unemployed individuals, especially those from lower-middle-class backgrounds as well as young migrants.

Substantial budget cuts in the social sector have also had an impact on the unemployed. In Denmark, the level and duration of unemployment benefits has been reduced. In Hungary it is feared that the current labour market policies will increase long-term unemployment, since an expansion in the economy will not necessarily lead to creation of new jobs. Additionally, an increasing number of people have become homeless as the cost of living has risen in many countries (e.g. Poland).

Eurodiaconia's Icelandic member reports that financial institutions in their country have been able to grant credit extensions to families grappling with debt issues; however loan extensions are not always enough as some families are experiencing severe indebtedness and have taken out loans from other countries.

### ***Austerity measures' impact on Social Services***

Respondents report a major impact of the austerity measures on social service provision due to reduced funding. At the same time the cost of social services has increased in some countries (e.g. Poland). In the Czech Republic grants from the Ministry of Employment and Social Affairs have been reduced by 12%. In Denmark the situation in municipalities is severe, as budget cuts have had a notable impact on those groups of people considered to be most dependent on social services, such as the elderly, the disabled and the long-term unemployed.

In Austria the budget cuts have been mainly administrative and targeted on NGOs. However, as our Austrian member points out, there have also been cuts in the reimbursement of costs for some individuals, including those young men who, instead of completing compulsory military service in Austria, are performing some form of community service. In Spain the public expenditure cuts have specifically targeted integration policies for migrants.

### **Has your government taken "austerity measures" following the crisis?**

■ Yes ■ No

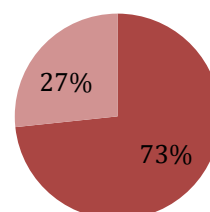


Figure 8

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*“Governmental funding has decreased at the same time as people’s needs have increased.”*  
(Finland)

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*“Local public funding in 2010 was reduced by 50% in comparison to the year before.”*  
(Serbia)

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### **Supporting the helpers: Eurodiaconia members' experience of support from public measures**

A majority of Eurodiaconia's member organisations (11 out of 16) state that they have not benefited – and do not expect to benefit in the future – from any concrete measures taken by public authorities in their country to support their organization (Figure 10). Only one member indicated that it had benefited from such measures, while the remainder were unable to say whether or not they had benefited or would benefit from such measures in future.

**Have you benefited from any concrete measure taken by public authorities to support your organisation or your members during the crisis?**

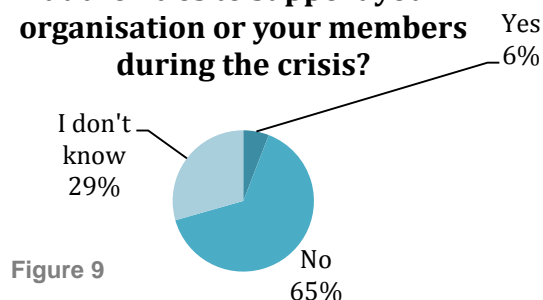


Figure 9

When members were asked whether they believed their governments had developed efficient policies to help organisations similar to theirs face the crisis, once again a majority (10 out of 15) showed that they had no high hopes of such policies being created. When looking at the data for the past three years, one can observe a constant pattern through the years as a majority of Eurodiaconia members believe that their governments have not created specific policies to help them continue provision of social services at a time of crisis.

**Do you believe that your government has developed efficient policies to help organisations like yours face the crisis?**

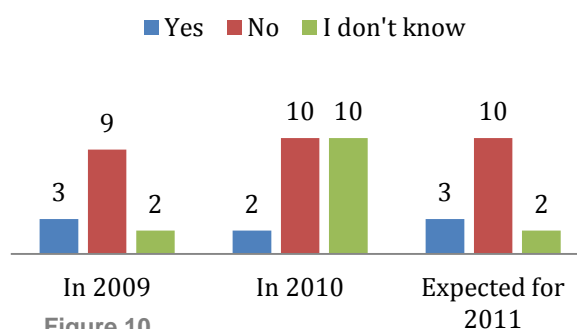


Figure 10

### **Consultation of social policy actors**

When asked about members' involvement in the drafting of public policies in response to the crisis, only 28% of respondents indicated that they had been directly involved in the consultation process. 43% indicated that they had no knowledge of such consultations taking place in their respective countries. Almost 30% of respondents knew of other social NGOs that had been included in consultations between public authorities and NGOs. In comparison with the questionnaire Eurodiaconia conducted last year, these results demonstrate that a slightly greater number of members are now at least aware of the existence of such consultations.

**Have you been consulted directly, or are you aware of other social NGOs' involvement in the drafting of public policies in response to the crisis?**

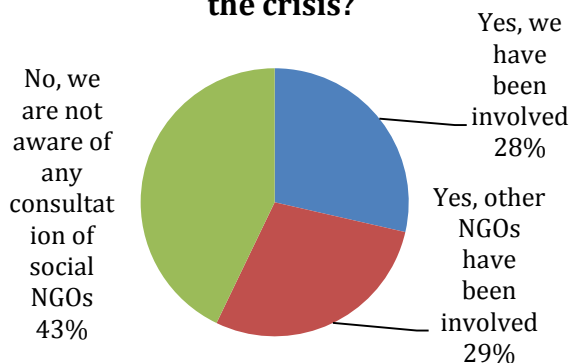


Figure 11

## The crisis and publicly-run services

In 2009 and 2010 Eurodiaconia members felt that the crisis had impacted on publicly-run social services. This trend continues in 2011, a massive majority of respondents expecting these services to continue being affected by the financial crisis in the future.

When Eurodiaconia's members were asked whether the crisis had impacted on publicly-run social services in their respective countries, a vast majority (11 of 15) responded 'yes'. When comparing and contrasting these results with those obtained within the last two years, one can observe a slight increase (proportionally to the numbers of respondents to each survey, the increase is even greater).

When respondents were asked to explain why and how publicly-run services had been affected in their countries, most attributed the impact to cuts by local governments. The lack of financial support from national level was particularly evident in certain health care services and in the operation of hospitals in certain countries (Hungary). Most service providers had experienced a loss of funding and as a direct result had been forced to cut back on the number of staff. This lack of social service personnel had a negative impact on the quality of the services run.

Some members also expected the impact to increase in the coming years, as local governments are expected to react to budget cuts at national level. One member (Denmark) remarked that the investments made in social services over the past 10 years have been rendered ineffective by the crisis, insofar as they had not reached the target groups, while the number of people seeking social support had more than doubled.

The Serbian member of Eurodiaconia stated that publicly-run services in the country had not been affected by the crisis, since the level of such services was, and had previously been, very low.

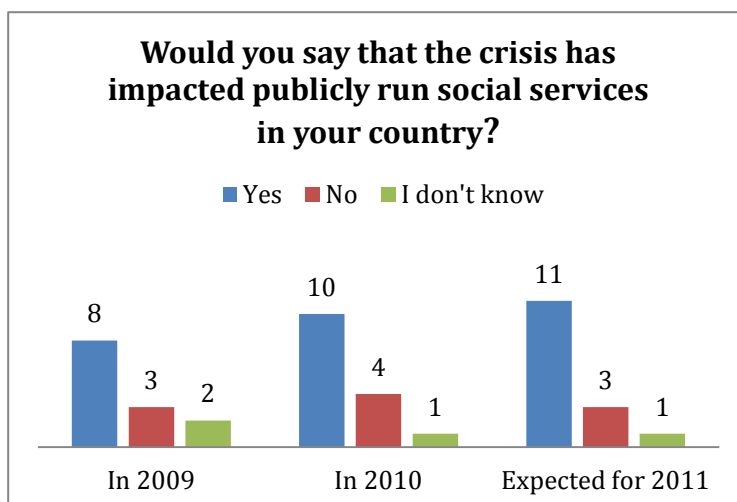


Figure 12

*"Many users have the feeling that services have deteriorated or are less effective. For this year and the next years there will be cuts in public services."*  
(Denmark)

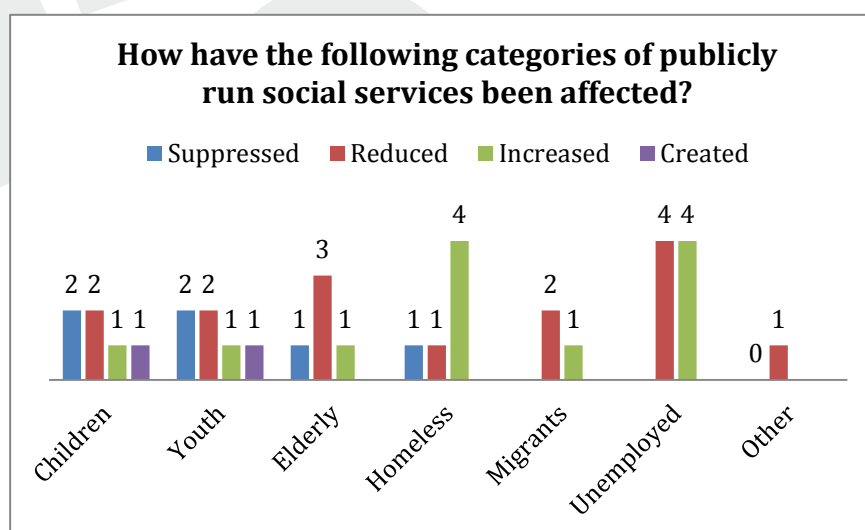


Figure 13



When examining how specific categories of publicly-run social services have been affected, one can conclude that services for the unemployed and the homeless have increased substantially (see graph 14). Interestingly, other members observe quite the opposite as services for the unemployed have also been reduced, as have those for migrants and the elderly.

### ***New role for member organisations?***

When members were asked whether they believed that their organization would now have a bigger role to play in counterbalancing a decrease in the provision of publicly-run services in their country, members disagreed. When taking a closer look at the data collected over the years, one can see that members continue to be divided on the issue. Half of the respondents see no change in their situation, while the other half believes that their organizations are now being called upon to play a bigger role at local and national levels.

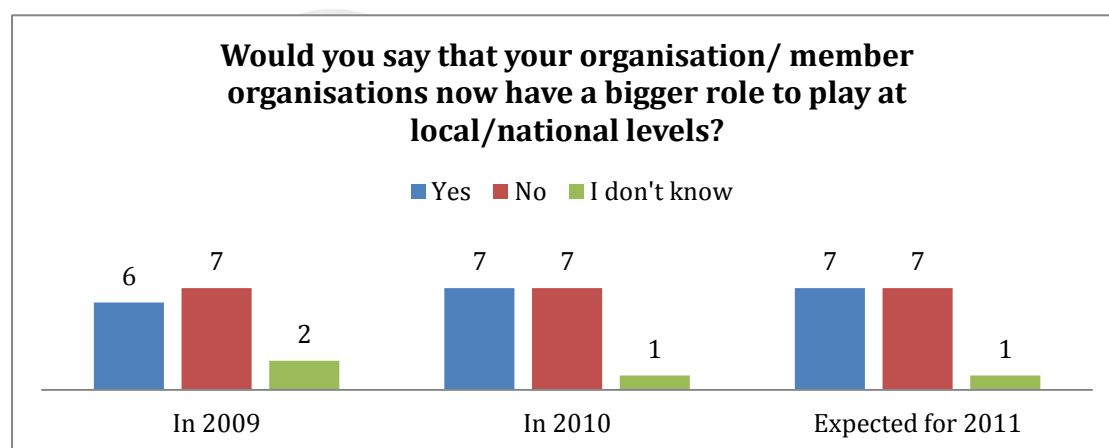


Figure 15

*“Since the beginning of the crisis there have been more and more people asking for help, so the crisis had a major impact. Now we help the people most in need, mainly families and children.” (Iceland)*

## ➤ OVERCOMING THE CRISIS: BEARING THE COST AND SUPPORTING THE MOST VULNERABLE THROUGH COMPETENCE AND SOLIDARITY

### *A reduced capacity to provide care and services to people in need...*

In 2009 a slight majority of respondents reported no impact on their ability to continue providing services to people in need, while in 2010 a great majority reported either a minor or major impact on their organization's capacity.

However, in 2011 a vast majority of respondents are now speaking of a minor impact on their ability to provide services. But if the impact of the crisis is persistent, demand increases and support decreases, then how it is that our members report only a minor impact on their ability to provide services?

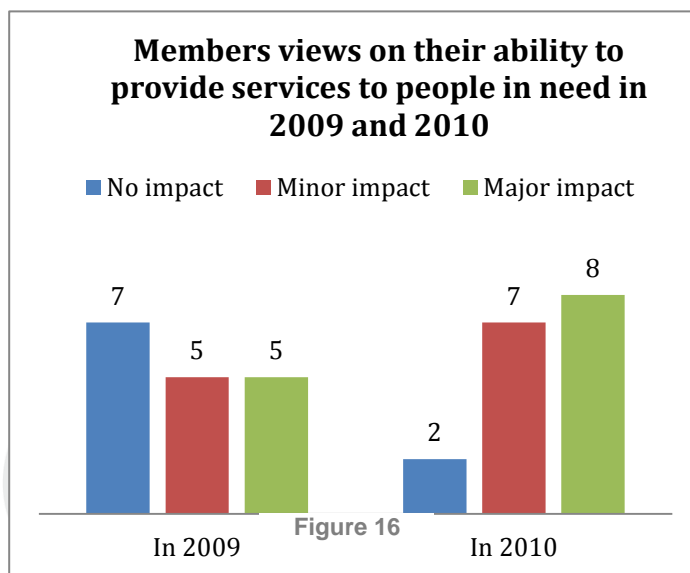


Figure 17

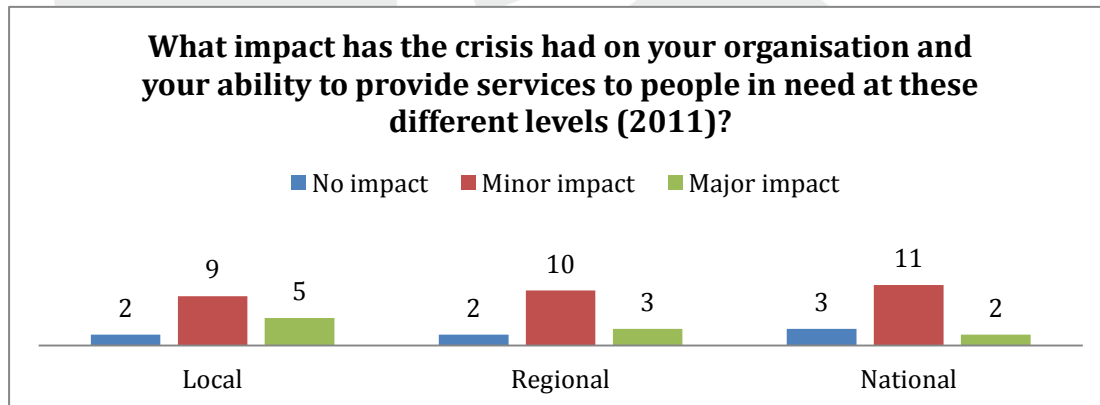


Figure 18

### **...counterbalanced by rationalization and solidarity.**

A closer inspection of the answers from respondents gives an insight into the evolution of organizations' ability to provide care and services to people in need and thus helps to explain why some organizations are now reporting only a minor impact of the crisis.

In some countries organizations have been able to fight back against the effects of the financial crisis by finding new sources of funding. A number of Scandinavian countries are reporting the discovery of new public as well as private sources of financing.

Due to the lack of public funding Eurodiaconia's Serbian member has equally been looking for fundraising through new sources and has additionally taken measures within the organization to reduce costs at local, regional and national levels.

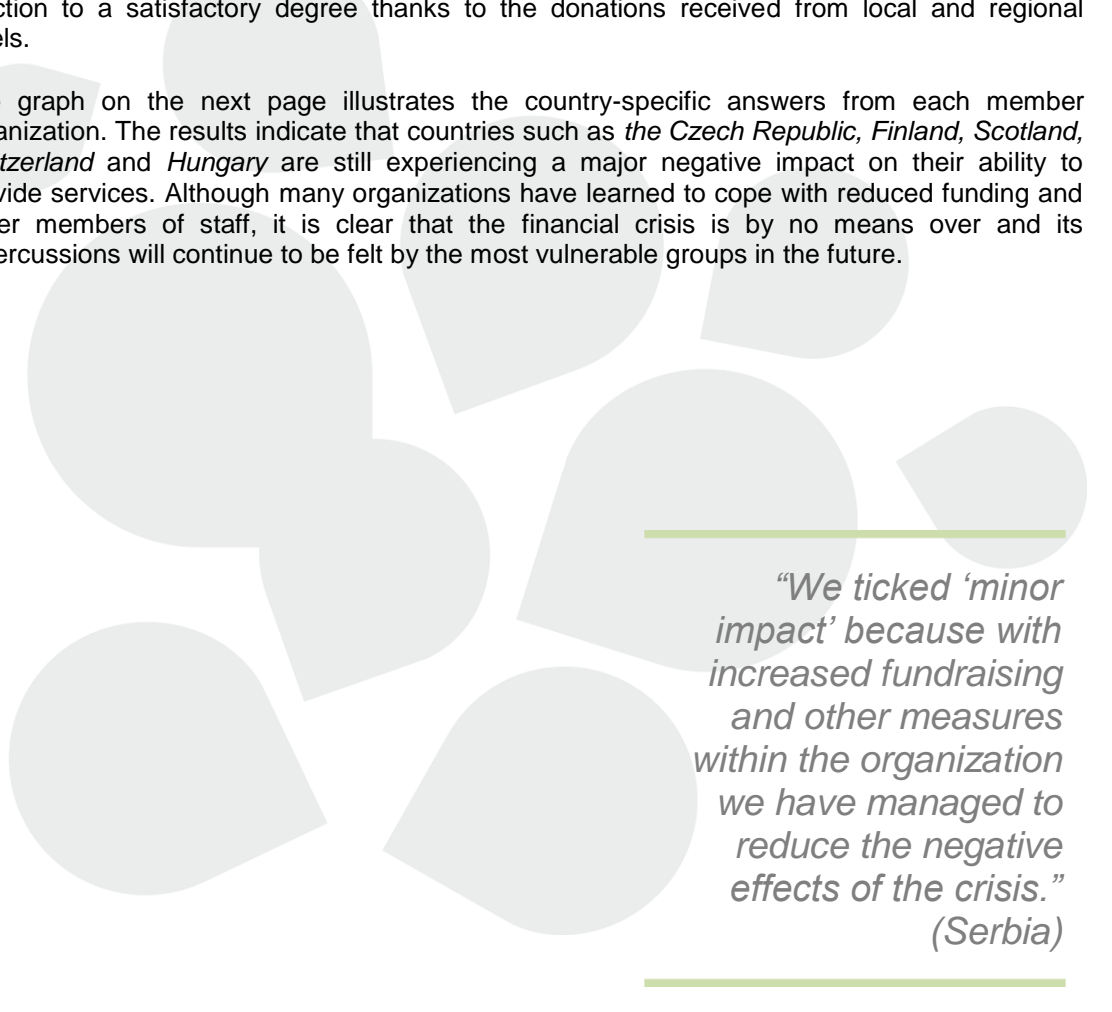
Many member organizations have had to re-evaluate their priorities and cut back on other expenses in order to be able to continue providing their services.

In Norway, the Eurodiaconia member reports that although economic growth has distinctly slowed down since the start of the crisis, “no impact” is still the best definition of the situation in Norway.

Eurodiaconia’s Icelandic member is reporting a major impact of the crisis on the local ability to provide services, stating that since the beginning of the crisis more and more people have been relying on social services. This trend has had such an impact on the organization in question that it now provides services only to those most in need, mainly families and children. Nevertheless, increasing needs have sometimes been counterbalanced by an outpouring of support from the local community.

Eurodiaconia’s Spanish member maintains that although their organization has been forced to downsize and cut back on the level and range of the services that it provides, it is still able to function to a satisfactory degree thanks to the donations received from local and regional levels.

The graph on the next page illustrates the country-specific answers from each member organization. The results indicate that countries such as *the Czech Republic, Finland, Scotland, Switzerland* and *Hungary* are still experiencing a major negative impact on their ability to provide services. Although many organizations have learned to cope with reduced funding and fewer members of staff, it is clear that the financial crisis is by no means over and its repercussions will continue to be felt by the most vulnerable groups in the future.



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*“We ticked ‘minor impact’ because with increased fundraising and other measures within the organization we have managed to reduce the negative effects of the crisis.”*  
(Serbia)

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*Evolution of the impact on member organisations' capacity to provide services*

**Green** = No impact; **Blue** = Minor impact; **Red** = Major impact; **Black** = No relevant data available

Experienced 2008	Experienced 2009	Experienced 2010	Evolution
Austria	Austria	Austria	N/A
Czech Republic (Slezska Diakonie)	Czech Republic	Czech Republic	Increase
Denmark (Kof.)	Denmark	Denmark	Stable
Finland (Church of Finland)	Finland	Finland	Increase
Finland (Church Resources Agency)	Finland	Finland	N/A
France	France	France	N/A
Germany	Germany	Germany	N/A
Hungary (Ref Church)	Hungary	Hungary	Stable
Hungary (Ev.lut church)	Hungary	Hungary	N/A
Iceland	Iceland	Iceland	Decrease
Netherlands	Netherlands	Netherlands	Increase
Norway (City Mission)	Norway	Norway	N/A
Poland	Poland	Poland	Increase
Scotland	Scotland	Scotland	N/A
Serbia	Serbia	Serbia	N/A
Spain	Spain	Spain	N/A
Sweden (Church of)	Sweden	Sweden	Stable
Switzerland (SEK-FEPS)	Switzerland	Switzerland	Increase

Of the 16 members that responded to this questionnaire, nine had relevant data for the past 3-4 years. Among them:

- 5 members had experienced a clear worsening impact of the crisis on their organisation and their ability to provide care and services to people in need.
- 3 members had experienced a constant (minor or major) impact;
- 1 member reported having experienced a decreased level of impact.

## ➤ CONCERNS FOR THE FUTURE

Eurodiaconia's members were asked to emphasize some of their main concerns for the future. Overall they underline the decreasing support and care for the most vulnerable, expressed directly by decreasing funding.

### ➔ ***Lack of funding***

Most respondents report that their biggest concern regarding the provision of social services is the lack of public funding. For many Eurodiaconia members reduced funding means that there is a need to look for new ways of obtaining funds, whilst many diaconal organisations and churches are forced to rethink their role in society.

Numerous Eurodiaconia members are also struggling under the impact of reduced grants and fearing a further decrease of funding from local and regional authorities. One member also reported its concern regarding the possible impact of the economic crisis on funding from the EU (e.g. European Social Fund). Lack of funding and a reduced number of donors have led to a number of serious repercussions, including for some members a fear that they will be unable to respond to public tenders, the inability to start new jobs in the social sector, support only for social services deemed urgent, and so forth.

### ➔ ***Quality of services for the most vulnerable***

Beyond the lack of funding itself, Eurodiaconia members are clearly concerned that the lack of funding may impact on their capacity to uphold the quality of services provided. The disabled and the unemployed are particularly seen to be facing a continuous worsening of their situation. Some members report a lack of investment in their country in provision of those support services for the unemployed, including workshops and training that are crucial for helping people find employment.

Others underline the increasing challenge of maintaining quality services to all groups. For instance one member emphasizes the arising of discussions around the care for "expensive" groups, such as disabled people. This member reports an increasing social pressure on the most vulnerable who feel blamed for the cost of services they need.

Another member shares its concern in view of the increasing number of for profit organizations running services, they fear that such providers may have less emphasis on quality but win contracts because they have lower costs because of this lower quality.

### ➔ ***Deepening polarization in society***

Another major concern for our members is the deepening polarization in society; some comment that the advances made in Europe in the last 40 years could be undone as a consequence of the crisis. It is believed that the impoverishment of society will have serious repercussions and negative long-term effects in the years to come as more and more people struggle with poverty. A new generation of "working poor" and poor young people might be emerging.

### ***A crisis of values***

These concerns are matched by another Eurodiaconia member who points out that the financial and economic crisis has to do with more than just finances, but that it has been a crisis of values. Consequently, some seriously doubt the attempts that governments have made to build a more sustainable future, while others fear that the most vulnerable groups in society will continue to bear the biggest burden of the crisis.

## ➤ CONCLUSION

Eurodiaconia members together provide services to millions of people in need across and beyond Europe. This third Eurodiaconia report provides confirmation of the trends described in reports 1 and 2. It shows that the essential actors of social inclusion and provision of social services have been strongly hit by the economic and financial crisis. They observe increasing needs but also face a decrease in public authorities' support.

Interestingly, they have somehow been able to shoulder some of the impact of the crisis. The reduction in the level of services has not been proportional to the impact of the crisis. However Eurodiaconia members have had to stretch their resources and capacity, this means that the provision of social services is under pressure and that in some cases there is a real danger of our members having to refuse assistance to service users.

The data collected specifically on over-indebtedness underlines the need for a deeper reform of the growth-based economical system. It seems obvious that government should exercise much stricter regulation over predatory lending and even over advertising that pressurises people into spending. However, the economy needs growth, and the system reveals itself as a "snake biting its tail", caught between pressuring people to over-consume and the system's need to pursue higher and higher levels of consumption in the interests of economic growth. In this context, Christian NGOs and service providers have a specific role to play, offering not only support services but also an ethos pointing towards another way of life altogether.

### Recommendations

#### Value social investment and infrastructure

Social services provide essential assistance to many, whether for a long- or short-term need, covering the main risks in life. Austerity measures and financial cuts have been impacting Eurodiaconia members, who provide these services.

Austerity measures and financial cuts must, on the contrary, be shaped to target the ones most able to shoulder the shock of the crisis. They must be an opportunity to transform our societies toward more equality, not because this is morally desirable, but because this is better for society as a whole.

Moreover, growing level of unemployment and pressure on the most vulnerable endanger social stability as increased social deprivation risks leading to social unrest. In this context, Eurodiaconia is encouraging the European Union and its Member States to "invest" in social policies now even more than ever.

Overall, it is now also necessary to question an economic model based on ever-increasing consumption because, as demonstrated by markets' instability and social unrest, it is not sustainable. The process started on developing "beyond GDP" indicators more inclusive of environmental and social aspects of progress, must come to fruition. Other indicators must be identified and integrated into the decision-making process in order to ensure reforms undertaken have well-being as their goal, not just economic growth, and that policies are evaluated in light of this.

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*"The financial crisis is a crisis of values. The banks and other financial institutions have not reflected on their past choices in order to create a more sustainable system, and the most vulnerable groups will pay the bill of the crisis." (Netherlands)*

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## Extreme poverty

According to European Commission data, an estimated 43 million people in the EU are threatened by food poverty. Moreover, extreme poverty is potentially on the rise as demonstrated by Eurodiaconia's three reports on the impact of the crisis and its evolution, and by the mapping of Eurodiaconia members' work in the fight against poverty and social exclusion<sup>3</sup>, which shows that demand for food aid, emergency financial support, debt counselling, and homelessness services in Europe has recently been clearly increasing.

However, following a decision of the European Court of Justice<sup>4</sup>, the European Commission had to reduce the food aid programme budget from €500 million to €113 million in 2012. This decision is going to jeopardise an essential tool of support to those in need. Therefore:

- Member states should also examine why such an instrument is still needed across Europe and work to build social protection systems that ensure people have an adequate minimum income, therefore not needing food aid.  
That is why, the European Commission and Council, should look for improved and more concrete methods of monitoring the implementation of the Active Inclusion recommendation and ultimately consider the development of a more binding legislation ensuring the principles of Active Inclusion are met.
- the European Commission and Council should prevent such a drastic cut to the European Programme of Food Aid to the most Deprived Europe (PEAD) as it has proved to be an essential tool of care for the most vulnerable in Europe and such a sudden, drastic cut would jeopardise the well-being of many who are currently relying on food aid funded under this programme;
- Member States (acting as the European Council) should either endorse the recent Commission proposals to transfer the European Programme of Food Aid to the most Deprived to the European Social Fund or amend the PEAD legal basis in order to provide permanent financing for it in the context of financial planning for the next programming period (2014-2020).

## Over-indebtedness

Eurodiaconia's member organisations see the causes of household over-indebtedness as both structural and linked to individual behaviour patterns. The structural causes of household over-indebtedness are mostly attributable to low levels of income or benefits and inflexible working conditions. Member organisations also point out that it has become far too easy to lend and borrow money and to take out expensive mini-loans.

- Public authorities should regulate more carefully the granting and advertising of loans at high rates of interest.
- Banks and other financial institutions should be required to offer counselling services independent of their own interests, as too often their interests become entangled with the services they provide.
- More investment should go into basic education on financial matters and on the risks associated with indebtedness.
- National governments should provide more support to local organisations including diaconal organisations to enable them to set up debt-counselling services for the most vulnerable.

<sup>3</sup> Mapping 20 years of Eurodiaconia's members' work in the fight against poverty and social exclusion, Eurodiaconia 2010, page 10 - <http://www.eurodiaconia.org/diaconia-news/1203-mapping-20-years-of-eurodiaconias-members-work-in-the-fight-against-poverty-and-social-exclusion>

<sup>4</sup> European Court of Justice decision to cancel the CAP funding for food aid scheme – ECJ Germany v Commission (Case T-576/08)



Eurodiaconia's attention was drawn to some practices of debt-collectors in the European Union. Researchers have reported practices sometimes equivalent to violent breach of the right to private life and should therefore be regulated much more clearly.

## Services

Social services provide essential assistance to many, whether for a long- or short-term need, covering the main risks in life such as ageing, as well as for specific circumstances such as disability. They often address not only physical and mental needs but also the spiritual aspect of care for each human being. They enable people to integrate or reintegrate into society. They enable people to access and retain employment, and offer a route out of poverty and exclusion, enabling them to fulfil their potential and contribute fully to society..

Given the role of social services outlined above, Eurodiaconia believes that access to social services is necessary to uphold human dignity and is a fundamental right. This is supported by Part 1 article 14 of the European Social Charter and Article 34 1 of the Charter of Fundamental Rights. In certain service sectors such as social care, requiring a certain level of quality, although it may be more expensive in the short-term, is essential in order for the service to meet the need of the service user.

The increasing demand for social and health services must be understood by decision makers as an alarm bell. Safeguards must be established, in order to protect the most vulnerable and prevent a worse long-term impact.

- Member States and the EU must ensure that social and health services are provided on the basis of solidarity and publicly funded.
- The European Commission should work on building understanding of methodologies to measure positive social impacts or social returns on investments
- Relevant public authorities in the Member States must properly analyse the medium and long-term impact of proposed cuts to social services , using tools such as social return on investment analysis, in order to make the case for continued financing of essential services
- The European Commission must make proposals to amend European Social Fund, state aid and public procurement rules to reduce the administrative burden on small scale essential services to ensure finance is not wasted on administrative procedures and ensure all necessary finance can be used for the service in question
- The European Commission must continue to work with stakeholders to build recognition among public authorities of the importance of quality in social service provision
- Member States must implement the Active Inclusion principles on access to quality social services<sup>7</sup> and the European Commission must monitor their implementation.



## THE FINAL WORD

*"The financial crisis is a crisis of values. The banks and other financial institutions have not reflected on their past choices in order to create a more sustainable system, and the most vulnerable groups will pay the bill of the crisis."*  
Netherlands

*"Smaller financial resources often translates into the need to limit the scope of performed tasks, or their full suspension (Poland)"*

*"The people we are working with have lost much because of the crisis some people integrated have had to turn back to services which could no longer help them."* Spain

*The situation in municipalities is very tight due to severe cuts in regional budgets."* (Denmark)

*Many young people don't know what an interest rate is and how it is calculated or what it means to buy in installments. "* Denmark

*"Challenges in everyday life are too high, especially for families with children"*  
(Finland)

*"Concerns for the future? Less quality in long term care and for people with disability, less wage adjustments for employees, more for profit organizations running services with less quality."* Austria

*"There shall be incitements for individuals to work and seek work instead of be depended on benefits. A good thought, but all people are not able to work and them who are long unemployed can't do so much to improve his situation if there isn't any job to get".* Sweden

*"Public authorities have limited financial grants for social assistance."*  
Poland

*"When financial resources decrease, churches cut social work and concentrate on their spiritual "core business"*  
Switzerland

*"Many users have the feeling that services have deteriorated or are less effective. For this year and the next years there will be cuts in public services."* Denmark

*"Since the beginning of the crisis there have been more and more people asking for help, so the crisis had a major impact. Now we help the people most in need, mainly families and children."* Iceland

*"Customers in our food programmes have increased by 20% in 2010."* Finland

*"We should concentrate on other values besides economic growth, consumption and ownership; such as care, tolerance and a sense of community."*Finland

*"It is the topic of constant discussions, to what extent should the church(es) take on social responsibility. General opinion holds that the state must provide funding if the church overtakes such responsibilities."*  
Hungary

*"More people need some help, more users"* Czech Republic

