



## Re: Informal ECOFIN Council Meeting, 1-2 April 2014

31<sup>st</sup> March 2014

Dear Ministers,

We are writing in reference to the new research paper being discussed this week at the informal ECOFIN Council on *'Europe's social problem and its implications for economic growth'*. Eurodiaconia, as a European-wide network of Christian-based social and health care service providers is pleased that the informal ECOFIN Council is discussing key European social challenges since we strongly believe that economic and financial policy and social affairs and employment are inextricably linked. In light of your upcoming meeting this week, Eurodiaconia would like to highlight several issues for your consideration and propose some recommendations as you move forward.

➤ ***Growth without redistribution leads to unequal societies and increasing poverty***

Eurodiaconia wants to stress that growing inequalities in Europe cannot be resolved through economic growth alone since wealth redistribution and the trickledown effect presumed from economic growth is often not guaranteed or equally distributed. Measuring economic output by GDP only for example can easily mask the inequalities within societies and does not take into account the negative effects of economic progress. Quality of life and well-being has to go beyond GDP and economic production. Furthermore, research shows that the least unequal societies in Europe tend to have the lowest levels of poverty thanks to adequate minimum income levels and ensuring good access to services, through the social protection system and through guaranteeing minimum wage levels. Eurodiaconia is convinced that much of the poverty in Europe is a consequence of an unequal allocation of resources, financial or other resources such as access to housing, education, health and other social services.

Alongside the inequalities prevalent across the European Union recent data reveals the alarming reality of **increasing poverty and social exclusion**, in particular an increasing number of **working poor** (an estimated 9.5% of the workforce in the EU are affected by in-work poverty<sup>1</sup>) and the **lack of universal access to quality social and health services**<sup>2</sup>. The economic and financial crisis has played its part in the recent rise in such figures but it still remains that poverty and social exclusion were at a high level prior to the crisis. Whilst a number of EU-led initiatives have tried to address some of the social consequences of the crisis such as the Social Investment Package (SIP); ongoing fiscal consolidation and harsh austerity measures have seriously undermined those efforts and we see that economic and financial policies have been disproportionately prioritised over social cohesion.

➤ ***The Europe 2020 mid-term review can reposition the balance of macroeconomic and social priorities as part of the European Semester process.***

Eurodiaconia welcomed the **Europe 2020 strategy** for smart, sustainable and inclusive growth and its target on poverty reduction; however we see that we are moving further away from the poverty targets which are now unlikely to be met. In particular Eurodiaconia has questioned the approach adopted in the **European Semester**, mainly focusing on the restoration of economic growth and competitiveness. Our members have reported that policies for a "return to economic growth" have too often led to a narrowing down of social policies to employment policies (e.g. the increasing the conditionality of social benefits), despite the lack of employment possibilities and increasing number of "working poor". We would therefore like to see the **European Semester** re-structured to ensure the focus on smart, sustainable and *inclusive* growth.

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<sup>1</sup> Eurostat 2012

<sup>2</sup> [Policy Recommendations for Social Services in Times of Crisis \(Eurodiaconia\)](#)





- **Investment in social and health care services is not only about providing services but also about job creation, territorial cohesion and generational cohesion as we invest in future and current generations**

Data shows that health and social services play an important role in employment growth, in addition to being an important source of **job creation**, the health and social services sector has an important economic weight, as it generates around 5% of the total economic output in the EU. Public services contribute to more than 26% of the EU GDP; in terms of employment, among Services of General Interest, health and social services are the largest sector, representing 33% of SGI and employing 20,5 million employees. However, during the recent economic crisis, social services in a number of member states have been affected by austerity measures. The consequences of the decrease of public support to social and care service providers have been a reduction of the scope of services provided, a decrease in quality to cut costs, and a worsening of the conditions of the most in need. We are convinced that if not addressed through social and health services, poverty and social exclusion will bear a human cost in terms of lost potential and well-being.

### Given these observations, Eurodiaconia recommends that the ECOFIN ministers...

- Strengthen and commit to the Europe 2020 goal of **inclusive growth** and maintain this focus in all stages of the European Semester to support inclusive growth, in order to achieve the **poverty target**
- Promote a **social investment** approach to public spending, ensuring the sustainability of essential social protection systems and social and health services
- Adopt a **long-term vision of the social sector** and the well-being of people through investing in accessible social services and an effective social protection system aiming at a **strategic investment in social sector job creation**<sup>3</sup>
- Place **job quality** at the centre of Europe 2020 employment targets and concrete measures proposed to tackle in-work poverty
- Acknowledge the **Social Market Economy** as an overarching goal guiding policy decisions where the economy is at the service of people, rather than people being at the service of the economy
- Reorganise the financial architecture including a **fairer and more equitable taxation** system, while also considering a financial transaction tax to support social protection systems and other priorities
- Ensure the democratic principle of **civil dialogue** through meaningful and structured involvement of civil society organisations in the **European Semester process**, as well as in the discussions and processes developed related to the Social dimension of the EMU

Economic growth should not be at the expense of social investment, care and guaranteeing the social and economic rights of all people but should be the result of an integrated smart, sustainable and inclusive economy<sup>4</sup>. People in Europe are waiting for a strong signal of a reasonable and accountable economic policy that ensures common efforts to overcome the continuing crisis in Europe and to revitalise the perspective of a European common good. We hope that ECOFIN ministers will recognize their responsibility in creating a fairer Europe for all.

Yours sincerely



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Secretary General  
Eurodiaconia

<sup>3</sup> For more recommendations on JOB CREATION POTENTIAL IN THE HEALTH AND SOCIAL SERVICE see [http://www.eurodiaconia.org/images/stories/SERV\\_31\\_12\\_Briefing - Social Services Europe - Job creation potential in health and social sector.PDF](http://www.eurodiaconia.org/images/stories/SERV_31_12_Briefing_-_Social_Services_Europe_-_Job_creation_potential_in_health_and_social_sector.PDF)

<sup>4</sup> EPSCO Conclusions stressed that "the key factor for achieving the Europe 2020 objectives for smart, sustainable and inclusive growth is working toward policy coherence between the economic and social objectives of the Union" (press release, EPSCO, Council conclusions on the social situation in the EU, 10 March)