



THE 2019 ANNUAL GROWTH SURVEY: EURODIACONIA WELCOMES THE FOCUS ON HEALTH AND SOCIAL SERVICES

Positive Developments

Although the virtuous triangle of investments, structural reforms, and responsible fiscal policies, all very economically focused, is still structuring the document, this year's AGS has gone a step further in addressing social challenges. Far from being too complacent about the all-time high of the European employment rate, the European Commission shows some realism in its assessment of the damaging inequalities and persisting poverty in Europe.

Ahead of this year's AGS, Eurodiaconia's key messages have been to rethink the virtuous triangle from a social as well as economic standpoint, to promote quality employment, to tackle child poverty, to provide targeted and tailored services for migrants, to ensure affordable and accessible housing, and to increase the focus on health and social care services¹. Some developments in these areas are evident in the AGS but not all.

Socialising the virtuous triangle

Eurodiaconia called for a revamping of the virtuous triangle in light of the European Pillar of Social Rights and of the European Union's ambition to promote fair and sustainable growth. Indeed, reducing inequality and poverty not only fosters social inclusion and convergence, but is also beneficial to economic growth². Thus the virtuous triangle should be considered in both economic and social terms.

The AGS stresses the need for high quality investments in education, training and skills to promote quality employment and higher productivity. It highlights the need to tackle inequalities in access to quality education and training. There is also a strong insistence on the need to provide access to upskilling for low-

¹ See the priorities Eurodiaconia sent the European Commission ahead of the Autumn package: https://www.eurodiaconia.org/wordpress/wp-content/uploads/2018/10/Eurodiaconia_recommendations-AGS-2019.pdf

² This is illustrated among others in the latest OECD study: *A Broken Elevator? How to promote social mobility*, 15 June 2018, available here: <http://www.oecd.org/social/broken-elevator-how-to-promote-social-mobility-9789264301085-en.htm>





skilled adults, in particular for migrants to support their integration and a better use of their existing qualifications.

Eurodiaconia welcomes this evolution which gives a lot of space to a specific type of social investment, namely in education and skills. However, this is still very much based on a narrow understanding of social investments which only considers human capital, which tends to be focused on education for the work place and productivity rather than a general well-being perspective.. The mention of the need for targeted investments in residential construction to make housing more affordable, does not given enough breadth to the concept of social investment nor for the need for fiscal space to deliver such investments. Eurodiaconia calls for a wider understanding of social investments beyond human capital aspects: *“Social investment consists of integrated policies that focus on preparing people for different social realities they might come to face (such as unemployment, sickness, disability or insufficient income), taking a preventive approach by aiming to reduce risks rather than repair their negative impact at a later stage.”*³

The AGS repeatedly stresses the need to ensure that the gains of growth benefit all citizens and insists on the importance of inclusive structural reforms⁴. This is in line with Eurodiaconia’s call to promote shared prosperity in all structural reforms, making sure that efficiency and fairness are given equal importance when designing them. The AGS recognises the key issue of inequality in Europe⁵, and its damaging economic and social effects are elaborated. Similarly, the European Pillar of Social Rights is referenced in the AGS as a compass, in line with the objective of upward convergence of working and living conditions in Europe.

Health and social services

As regards health and social services, Eurodiaconia called on the European Commission to increase the focus on these services to adapt to the ageing of European societies. This has been taken on board by the AGS which highlights the ageing of European society as one of the challenging long-term trends that are likely to have manifold effects on economies and societies. It is mentioned three times in the document which insists that *“This has important implications for future economic growth and distribution of resources”*⁶*needs footnote.*

In line with this, the role of health and social services is also recognised in the AGS and comes out as one of the key priorities highlighted under the structural reform section. The European Commission calls on member states to widen access to high quality services, to strengthen the integration of health and social services and to put greater focus on prevention. Although cost-effectiveness and fiscal sustainability are highlighted, they

³ Joint paper on social investment with CESI and the Social Platform

⁴ See pages 1, 6, and 11 of the Annual Growth Survey:
https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-annual-growth-survey_en_1.pdf

⁵ See pages 2, 5, 7, 8, and 11 of the Annual Growth Survey:
https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-annual-growth-survey_en_1.pdf

⁶ See page 7 of the Annual Growth Survey: https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-annual-growth-survey_en_1.pdf



are balanced with considerations of quality and access. This is very welcome by Eurodiaconia and underlines the crucial role of our member, as service providers, for the future of European social and economic development.

The other positive sign is the fact that the document insists on the role of services and education to promote the effective integration of migrants, which is in line with Eurodiaconia's priority of providing targeted and tailored services for migrants to promote their labour market participation⁷.

What is missing? Extreme destitution is not addressed in the AGS

Although the issue of poverty is mentioned a few times in the document, it is done in a rather descriptive manner, without a strategic or comprehensive aspect. The focus seems to be on achieving tax justice, which is only one aspect of a holistic approach to addressing poverty. Perhaps the most striking aspect is the fact that the data given as evidence and to some degree targets centers around going back to pre-crisis 2008 level of poverty in the European Union. This is inherently problematic considering that the poverty levels of the pre-crisis era were far from low and were unacceptable in a region as developed as Europe. There is a need for a more strategic approach of tackling poverty and more ambition in the objectives.

Child poverty is not mentioned as such in the document although the higher chance of children to be at risk of poverty is highlighted a couple of times, as well as stagnating in-work poverty levels which clearly affect families with children. Eurodiaconia had highlighted the importance of tackling child poverty to foster equal chances for children in our societies, and it is regrettable that it has not been picked up as a priority, especially considering the focus on inclusiveness and tackling inequalities that this year's AGS has adopted.

Similarly, ensuring affordable and accessible housing and tackling homelessness is not put forward as a priority or even as a challenge, despite the insistence of many Eurodiaconia members on the seriousness of the housing crisis their country is facing. Promoting investment in residential construction in order to make housing more affordable is mentioned, but this falls short of expectations⁸. With proper investment and policy design, homelessness could be addressed at both national and EU level.

Finally, although the need for more quality jobs had already been stressed in last year's AGS, Eurodiaconia felt that not enough concrete efforts had been made. Therefore, we called on the European Commission to ensure that the issue of quality employment is addressed significantly in the 2019 AGS and the Joint Employment Report. However, the importance of quality jobs does not come out prominently in this year's AGS. There is a strong insistence on the changing labour markets and the need to adapt social protection schemes so that all workers are covered, including non-standard workers and the self-employed. This is positive but to address in-work poverty requires greater ambition and action. Additionally, the streamlining

⁷ See the priorities Eurodiaconia sent the European Commission ahead of the Autumn package:
https://www.eurodiaconia.org/wordpress/wp-content/uploads/2018/10/Eurodiaconia_recommendations-AGS-2019.pdf

⁸ See page 9 of the Annual Growth Survey: https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-annual-growth-survey_en_1.pdf



of the idea of inclusiveness in this year's AGS also covers the labour market. But we would have liked to see a stronger insistence on the quality of jobs, in light of the many changes of the world of work and stagnating in-work poverty levels in Europe.

Conflicting priorities

Although there is a welcomed insistence on inclusiveness and ensuring that the benefits of growth reach all citizens in this year's AGS, there remain relative contradictions between some of the priorities.

On the one hand, the AGS recognises the inherent economic returns and advantages of social investments. And indeed, economies with a higher degree of social investment have shown to be more resilient to shocks and perform better in crises. Adequately resourced social protection systems can work as automatic stabilisers and yield positive effects on demand⁹. Furthermore, the document recognises that improved social cohesion prevents the tremendous economic costs of inequalities in the long-run. It also increases future productive capacity, which in turn gives a boost to low growth rates¹⁰.

But on the other hand, the fiscal priorities put forward are the same as usual. They relate to fiscal sustainability and the language of the Stability and Growth Pact. However, the Stability and Growth Pact is likely to limit government's ability to use fiscal policy to support the economy¹¹. In fact, the Stability and Growth Pact (SGP) prevents, in many instances, Member States from engaging in social investments because necessary investments in human capital and housing as well as in social, health, and education services often mean a breach of the SGP's deficit rules.

Therefore, sticking to the SGP narrative as regards fiscal policy undermines the priorities put forward in the social, health and education fields.

Civil society involvement

The role of civil society is highlighted twice in this year's document, which is a welcome evolution and a clear recognition of the important role civil society has to play in the implementation of both country-specific recommendations and the European Pillar of Social Rights. Together with the updated Employment Guidelines, this gives civil society organisations such as Eurodiaconia and its members an opportunity to get

⁹ European Commission, *Employment and social developments in Europe 2014*, 2014, section 4.4, available at: <http://ec.europa.eu/social/BlobServlet?docId=13404&>

¹⁰ OECD, *Income inequality and labour income share in G20 countries: Trends, impacts and causes, 2015*, pp.2-3, available at: <https://www.oecd.org/g20/topics/employment-and-social-policy/Income-inequality-labour-income-share.pdf>. And: European Commission, *Towards social investment for growth and cohesion – including implementing the European Social Fund 2014-2020*, pp.1-2, available at: <http://ec.europa.eu/social/BlobServlet?docId=9761&langId=en>

¹¹ <https://www.socialeurope.eu/oecd-meets-picketty-an-alternative-economic-narrative> and <https://www.socialeurope.eu/the-case-for-a-proper-macroeconomic-stabilisation-function-for-the-eu>



further involved in the European Semester process, but also in policy-making and reform implementation in general. We welcome this increased recognition and role.

This year's AGS is a step in the right direction, building on last year's AGS and the proclamation of the European Pillar of Social Rights. It now has to be put into action with streamlining in the country reports, in the country-specific recommendations, and legislation and reforms at member state level.