Better social reforms to foster sustainable growth

An assessment of 2018 draft country-specific recommendations by Eurodiaconia and its members



Eurodiaconia 🔛

Eurodiaconia is a dynamic, Europe wide community of organisations founded in the Christian faith and working in the tradition of Diaconia, who are committed to a Europe of solidarity, equality and justice. As the leading network of Diaconia in Europe, we connect organisations, institutions and churches providing social and health services and education on a Christian value base in over 30 European countries.



We bring members together to share practices, impact social policy and reflect on Diaconia in Europe today.

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Introduction

Eurodiaconia is a network of 46 organisations in 32 countries, founded in the Christian faith and working in the tradition of diaconia. Representing over 30 000 local organisations, Eurodiaconia members provide social and healthcare services and promote social justice. They are engaged in all facets of social inclusion, from the inclusion of people with a migrant background, to work with disadvantaged youth, and elderly care.

Following the publication of the country reports on 7 March 2018, Eurodiaconia asked its

members for feedback, together with the recommendations would like the thev Commission to give to their government. This document therefore compares these recommendations to the draft CSRs published on 23 May, and gives a general analysis of the employment, social, and health aspects of these CSRs, in line with the European Pillar of Social Rights. This is in the hope that this will be used by relevant institutions in order to finalise the 2018 country-specific recommendations.

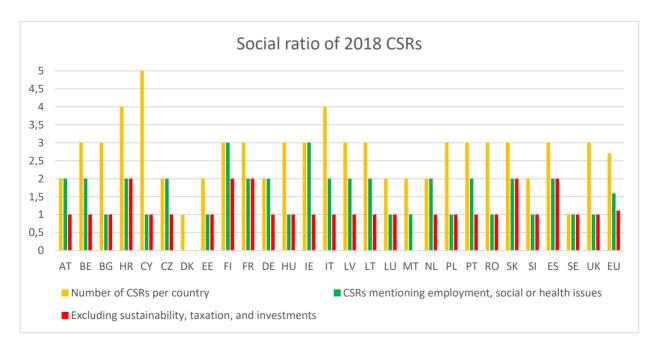
Part 1: General assessment of the draft CSRs and recommendations for improvement

The 2018 draft CSRs focus more on social challenges

In 2018, the total number of CSRs decreased, but **59% of them mention at least one employment, social, or heath issue** (41% if we exclude the ones mentioning only sustainability

of pensions or healthcare systems, household debt, taxation, or investment in education). This is up from 50% in 2017. This indicates that **the European Pillar of Social Rights is starting to have an impact**, based on this year's recommendations.

Ratio of employment, social, and health related CSRs in 2018



The number of CSRs per country remained globally stable; with the exception of BG, HR, FR, PT, and SI who received less CSRs. Nearly all member states received a CSR mentioning at least one issue related to employment, social, or health policies, with the exception of DK and MT (if you exclude the mention of the need to ensure the sustainability of the pension and healthcare system). Although understandable for DK which enjoys comparatively good employment, social, and health situation, it is more surprising for MT considering that is a worst performer for early leavers from education and training (19.7% of 18-24 yo compared to an average of 10.7% in the EU 28 in 2016) and for the gender employment gap (27.7 pps compared to an average of 11.6 pps in EU 28 in 2016) according to the Social Scoreboard accompanying the European Pillar

of Social Rights. However, we understand that the fact that the Maltese healthcare and pension systems are mentioned is already an improvement compared to 2017, but the clear financial angle of the recommendation reduces it to a very slight improvement.

There is a pattern emerging in the CSRs, with most countries getting three clusters of recommendations, one dedicated to economic and financial issues, one to employment, social, health, and education challenges, and one focusing on business and growth. However, this organisation is not followed for all member states. Although this is an improvement, the lack of consistency in the structure and the issues addressed by the recommendations to member states remains problematic and a source of confusion.

- A harmonisation of the vocabulary so that the same concepts are called by the same name in all CSRs.
- coupled with a clear structure around three big clusters gathering the previously mentioned categories of recommendations in the same order for all countries would improve the logic, intelligibility, and comparability of the CSRs.

→This would be a step towards **making this key semester output more accessible** to non-technicians.

The European Pillar of Social Rights has started to influence the CSRs but there is room for improvement

The influence of the European Pillar of Social Rights is starting to be felt in this year's CSRs, not only because the share of CSRs mentioning employment, social, or health challenges rose, but also when looking at the issues which were given prominence in these fields this year. As you can see in the table below (see page 7), the number of CSRs related to the three chapters of the Pillar is spread relatively evenly. Also, the issues of skills, disability, long term care, and poverty reduction have been given more prominence.

Thus, there are 12 CSRs on skills this year compared to 6 last year, which is in line with principle 1 of the Pillar stating that "Everyone has the right to quality and inclusive education, training and life-long learning in order to maintain and acquire skills that enable them to participate fully in society and manage successfully transitions in the labour market.". And indeed, the three member states whose situation is considered critical in terms of individual level of digital skills, namely BG (only 26% of individuals with basic or above basic overall digital skills in 2016 compared to an EU 28 average of 56%), HR (55% in 2016), and RO (28% in 2016), all got a CSR on skills this year (and BG and HR did not get one in 2017).

Similarly, three countries received a recommendation on the inclusion of disabled

people (CZ, EE, LV), in line with **principle 17** of the Social Pillar on the inclusion of people with disabilities, whilst none had one in 2017.

Concerning **long term care** the issue was only pointed out for one country in 2017, but **three got a recommendation on it this year** (AT, BE, and LV), in line with **principle 18** of the European Pillar of Social Rights.

Finally, it is very much appreciated that the issue of poverty and the related challenge of its addressed reduction was in two recommendations this (HR, year LT) compared to none the year before, in line with many principles of chapter 3 on social protection and inclusion (such as 11, 13, 14, 15, 17, and 19) of the Social Pillar. LT is indeed one of the worst performers in terms of impact of social transfers on poverty reduction (21.51% in 2016 compared to an EU 28 average of 33.2%), whilst HR's situation (28.57% in 2016) is considered in need of surveillance in the Social Scoreboard probably due to the drop of 6.91 pps in a year. Similarly, HR and LT's situations are both considered below average in terms of percentage of people at risk of poverty or social exclusion rates in the Scoreboard (respectively 27.9% and 30.1% in 2016 compared to an EU 28 average of 23.5%).

→All these evolutions are welcomed and **going** in the right direction.

The 2018 CSRs compared to the principles of the European Pillar of Social Rights

Chapter 1: Equal opportunities and access to the labour market			Chapter 2: Fair working conditions			Chapter 3: Social protection and inclusion											
1. Education, training and lifelong learning T=20	2. Gender equality T=4	3. Equal opportunities T=11	4. Active support to employment T=11	5. Secure and adaptable employment T=4	6. Wages T=7	8. Social dialogue and involvement of workers T=5	9. Work- life balance T=4	11. Childcare and support to children	12. Social protection T=1	13. Unemployment benefits T=1	14. Minimum income T=3	15. Old age income and pensions T=10	16. Health care T=12	17. Inclusion of people with disabilities T=3	18. Long Term Care T=3	19. Housing and assistance to the homeless T=3	20. Access to essential services T=5
AT, BE, BG, HR, CY, CZ, FR, DE, HU, IE, IT, LV, LT, PL, PT, RO, SK, SI, ES, UK	AT, CZ, IT, SK	AT, BG, BE, CZ, FR, HU, IT, LU, PL, RO, SK	BE, BG, CY, CZ, FI, DE, HU, IT, SK, SI, ES	NL, PL, PT, ES	BG, HR, EE, FR, DE, NL, RO	HR, DE, NL, PT, RO	IE, IT, F	PL, SK	NL	HU	BG, LV, RO	AT, BE, HR, CZ, FR, IE, IT, LT, LU, MT	AT, BG, CY, FI, IE, LV, LT, MT, PT, RO, SK,	CZ, EE, LV	AT, BE, SI	IE, NL, SE	BG, FI, LV, RO, ES

However, there is no room for complacency since many efforts remain to be done to better reflect the social challenges facing each country and push for the necessary reforms, in line with the European Pillar of Social Rights. Continuing on the issue of poverty reduction, IT, which is one of the worst performers in the EU for the impact of social transfers on poverty reduction (21.37% compared to an average of 33.2% in EU 28 in 2016), did not receive a recommendation on the issue - BG and RO who also perform badly on that indicator (respectively 17.92% and 14.25% in 2016) have received recommendations related to their minimum income. Similarly, the issue of inequality reduction is barely touched on this year with only LT getting a related recommendation on income inequality (with a S80/S20 ratio of 7.1 compared to an average of 5.2 in EU 28 in 2016), even if BG, ES and IT also perform badly on the indicator of income quintile ratio (with S80/S20 ratios of respectively 7.9, 6.6, and 6.3 in 2016). In fact, the situation of both ES and IT worsened since 2010, whilst the ratio diminished very slightly for LT according to the Social Scoreboard. Regarding principle 19 of the Pillar on housing and assistance to the homeless, three member states did indeed receive a recommendation on housing with a clear social angle in the recitals, but the social aspects of housing policies are not mentioned in the recommendations themselves, which focus on more financial and market related challenges. Also, the issue of homelessness is not mentioned despite recurrent reports and testimonies by our members on the ground that demonstrate the growing challenges faced by many countries. Additionally, when it comes to and healthcare pension related recommendations, we appreciate that their number grew (by respectively 1 and 2) this year, but there was a clear shift towards the sustainable and cost-effective angles, which are important, but reductive and risk impacting quality if not balanced with other aspects. Finally, some principles of the Social Pillar are not reflected in this year's recommendations, namely principle 7 on the Information about employment conditions and protection in case of dismissals, and principle 10 on healthy, safe and well-adapted work environment and data protection; whilst others are reflected only partially such as principle 9 on work-life balance (with recommendations on childcare being the only related ones). This is problematic since it does not encourage member states implement these principles in the coming year.

- ➤ Hence, a more systematic and data-underpinned approach of issues would be more equitable and appropriate when it comes to deciding which countries receive a recommendation in a certain field.
- More recommendations should be given on fostering poverty reduction and the related issues of inequality reduction and access to housing, in line with the Europe 2020 target of having at least 20 million less people in or at risk of poverty and social inclusion, and the risk of a majority of countries not reaching their national target.
- Member states and the EU should agree on good common and comparable indicators for pensions, healthcare, and long term care and all relevant social challenges so that these issues are reflected in their entirety and not only from a financial perspective. We therefore call on the Social Protection Committee, especially on its Indicators Group, to work with the Commission on developing these as soon as possible.
- All the principles of the Social Pillar should be reflected in the analysis of the Commission in order to ensure a full monitoring of the Pillar. We therefore encourage the Commission and member states to pursue their work on the issues of information about employment conditions, health, safety and data protection at work, and work-life balance in order to effectively implement the related pillar principles in the coming cycles.

Part 2: Comparison with country-specific recommendations by national service providers for eight member states: DK, FR, DE, IT, NL, AT, RO, SE

DENMARK

2018 draft CSRs for Denmark related to employment, health and social policies	Recommendations by our member, Dansk Diakonirad
None	Foster social inclusion and poverty reduction beyond employment, through holistic, tailored and preventive approaches, and by partnering with social NGOs.
	2. In particular, focus on tackling the rising homelessness, especially for young people, by exploring new successful policies such as the ones set up in Norway, and by allocating the necessary budget for hiring more specialised social workers.
	 Further reform the labour market to make it more inclusive, by, among other actions, setting up a minimum wage that allows for decent and dignified living conditions.

Although it is highlighted in the country report that Denmark is not making progress towards reaching its Europe 2020 target of reducing the number of people in or at risk of poverty and social exclusion, Denmark did not receive a recommendation on the issue, neither is it mentioned in the recitals. Nevertheless, the number of persons living in a household with a very low work intensity has increased by 14% between 2008 and 2017 (from 347 000 to 395 000 if we exclude students). Moreover, the approach of the government to foster social inclusion is too employment-focused. Dansk Diakonirad therefore calls for a more holistic and personalized approach to social inclusion in Denmark (recommendation 1).

There is also **rising homelessness in Denmark**: the number of homeless people rose by 8% between 2015 and 2017 (from 6 138 to 6 638) and by 50% for young people. According to Dansk Diakonirad, this is a key issue, but it is not mentioned in the recommendation, nor in the recitals. Although this is one of the Danish government's priorities, Dansk Diakonirad thinks that no effective policy has been implemented yet, and a recommendation on the issue would therefore be relevant (recommendation 2).

Finally, the challenge of better integrating disadvantaged groups on the labour market, particularly young NEETs, disabled people, and people with a migrant background is highlighted by our member (recommendation 3), and is mentioned in the recitals (recital 6).

FRANCE

2018 draft CSRs for France related to employment, health and social policies

CSR 1 "... Progressively unify the rules of the different pension regimes to enhance their fairness and sustainability."

CSR 2: "Pursue the reforms of the vocational education and training system, to strengthen its labour market relevance and improve access to training, in particular for low qualified workers and jobseekers. Foster equal opportunities and access to the labour market, including for people with a migrant background and people living in deprived areas. Ensure that minimum wage developments are consistent with job creation and competitiveness."

Hence, the proposed CSR on fostering equal opportunities and integration on the labour market, especially for vulnerable groups goes in the same direction as the first proposed recommendation from our member. However, a focus on homelessness would have been welcomed since the lack of social housing in France is a big challenge which is highlighted extensively in the country report itself and is mentioned in the recitals (recital 16).

Better support for young people in education and on the labour market is also needed in France, and this is recognised both in the country report and in the recitals (recital 15). Therefore

Recommendations by our member, the Fédération de l'Entraide Protestante

- Focus the policies on the most vulnerable groups as a priority, including undocumented migrants and homeless people, by setting up more preventive and personalised measures.
- Provide more support to young people both in education and on the labour market, in particular by promoting preemptive approaches to early-school leaving.
- 3. Better recognise and value the work of social workers by providing better working conditions and salaries which will attract new talents to the profession. Partner with civil society organisations who work in the social field in order to improve social outcomes, by recognising and benefitting from their experience on the field.

an explicit mention of young people in CSR 2 would have been appropriate, as proposed by the Fédération de l'Entraide Protestante (recommendation 2).

Finally, a better recognition of the work of social workers and an improvement of the attractiveness of the profession is a challenge in France as well as in many other European countries. Better integration of vulnerable groups comes with more tailored approaches, which in turn needs a sufficient and professional workforce of social workers (recommendation 3).

GERMANY

2018 draft CSRs for Germany related to employment, health and social policies

CSR 1: "While respecting the medium-term objective, use fiscal and structural policies to achieve a sustained upward trend in public and private investment, and in particular on **education**, research and innovation..."

CSR 2: "Reduce disincentives to work more hours, including the high tax wedge, in particular for low-wage and second earners. Take measures to promote longer working lives. Create conditions to promote higher wage growth, while respecting the role of the social partners. Improve educational outcomes and skills levels of disadvantaged groups."

Here again, the main points advocated by Diakonie Germany are covered by the proposed recommendations, namely wages, pensions, and disadvantaged groups. However the angles are quite different.

Diakonie Germany insists on the need to **tackle** wealth inequality in Germany, which justifies the first two recommendations on implementing

Recommendations by our member, Diakonie Germany

- Effectively implement the statutory minimum wage in all sectors in order to protect many employees from in-work poverty.
- Set up efficient and sustainable structures within the pension system to prevent old-age poverty and preserve the purchasing power of pensioners.
- Ensure tailor-made, participatory support structures for the most disadvantaged in the labour market in order to increase the employment rate of this group as well.

the minimum wage in all sectors and preventing old-age poverty through a sustainable pension system.

Recommendation 3 really links with the one proposed by the Commission and highlights the need for better support and integration of disadvantaged groups in Germany.

ITALY

2018 draft CSRs for Italy related to employment, health and social policies

CSR 1: "... Shift taxation away from labour, including by reducing tax expenditure and reforming the outdated cadastral values. ... Reduce the share of old-age pensions in public spending to create space for other social spending."

CSR 4: "Step up implementation of the reform of active labour market policies to ensure equal access to effective job-search assistance and training. Encourage labour market participation of women through a comprehensive strategy, rationalising family-support policies and increasing the coverage of childcare facilities. Foster research, innovation, digital skills and infrastructure through better-targeted investment and increase participation in vocational-oriented tertiary education."

Recommendations by our member, Diaconia Valdese

- 1. Increase and diversify incentives for youth employment.
- Reduce and simplify bureaucratic procedures and requirements, particularly related to taxation and for non-for-profit organisations.
- Encourage local governments to seek partnerships with not-for-profit service providers in order to meet both historic and newly arising needs in the territories.

The country report highlights the remaining challenge that is **youth employment** in Italy and it is mentioned in the recitals (recitals 21 and 23). Thus, a recommendation on this would have been appropriate (recommendation 1).

Similarly, Diaconia Valdese points to the difficulties at both national and local level

faced my non-for-profit organisations due to tax and administrative burdens. A closer partnership between the local authorities and service providers would increase understanding and foster better responses to social challenges (recommendations 2 and 3).

THE NETHERLANDS

2018 draft CSRs for the Netherlands related to employment, health and social policies

Recommendations by our member, Kerk in Actie

CSR 1: "... Take measures to reduce the debt bias for households and the remaining distortions in the housing market, in particular by supporting the development of the private rental sector."

CSR 2: "Reduce the incentive to use temporary contracts and self-employed without employees, while promoting adequate social protection for the self-employed, and tackle bogus self-employment. Create conditions to promote higher wage growth, respecting the role of the social partners. Ensure that the second pillar of the pension system is more transparent, intergenerationally fairer and more resilient to shocks."

- Explore the possibility of decoupling social protection from the form of employment/contract, thus tackling some of the negative effects of the flexible and segmented labour market. The strong competitiveness of the Dutch economy seems to offer room to investigate such a reform of the social protection system.
- 2. Reduce child poverty by reforming the labour market in order to limit the negative social effects of its flexibility and segmentation. In light of the Social Pillar, it should be given greater emphasis, such as having an indicator in the social scoreboard.
- 3. Focus more on the situation of disabled workers, especially by fixing the problem of weaker working conditions for those in "sheltered work" and by keeping disabled workers in wage complementation schemes rather than in benefit schemes.

The draft recommendations of the Commission concerning the segmentation of the Dutch labour market and the social protection system for self-employed are in line with the proposed recommendations 1 and 2 of Kerk in Actie. The latter focus more on the social impact of the current labour market setting, particularly the reduced access to social protection and inwork poverty. Indeed, it is the reason for the increasing number of working poor - which is hinted at in the country report itself when the higher at risk of poverty rate of temporary workers is highlighted (7.9% compared to 3.7%), as well as for future pension unsustainability and social protection inequalities (recommendations 1 and 2).

Furthermore. Kerk in Actie considers that some of the Dutch government's reforms targeting disabled workers are not going in the right direction. The measures taken as part of the Participation law have not improved sensibly the situation of disabled workers: their employability might have risen, but this comes at the expense of their legal status and pay. These people, working in so-called "sheltered work", get poorer working conditions (such as exclusion from collective agreements) than they had under the former legislation. Moreover, the ambition of the Dutch government to replace the current labour cost subsidy by a social benefit (wage compensation) is a serious step back for disabled workers, especially in terms of status (recommendation 3).

AUSTRIA

2018 draft CSRs for Austria related to employment, health and social policies

CSR 1: "... Ensure the sustainability of the health and long-term care and the pension systems, including by increasing the statutory retirement age and by restricting early retirement..."

CSR 2: "Reduce the tax wedge, especially for low-income earners, by shifting the tax burden to sources of revenue less detrimental to growth. Improve the labour market outcomes of women. Improve basic skills for disadvantaged young people and people with a migrant background..."

Diakonie Austria globally touches upon the same issues as the Commission in its recommendations, namely long-term care, female employment and childcare, and the integration of people with a migrant background on the labour market.

Concerning **long-term care**, demographic developments are calling for urgent reforms in Austria and further investment in social services (recommendation 1).

Recommendations by our member, Diakonie Austria

- Increase early access to care, especially in child care and long-term care. Given the current good economic situation, stronger overall social investments in social services should be made.
- Focus on female employment and not only on minimising the female part-time ratio. The goal must be to bring more women into work in general, for instance older women or women with a migrant background, which again has an impact on and can be combined with better child-care provisions.
- 3. Open the labour market to asylum seekers. A paradigm-shift is needed to better utilise the available potential.

Furthermore, Austria still has very low rates of care for children aged under three and segregation still exists for children with disabilities in schools, which is perpetuated on the labour market later on. Tackling this challenge would also help improving female employment in Austria (recommendation 2).

Finally, the labour market participation of **people** with a migrant background remains an issue, and the participation of asylum seekers should also be considered (recommendation 3).

ROMANIA

2018 draft CSRs for Romania related to employment, health and social policies

CSR 2: "Complete the minimum inclusion income reform. Improve the functioning of social dialogue. Ensure minimum wage setting based on objective criteria. Improve upskilling and the provision of quality mainstream education, in particular for Roma and children in rural areas. Improve access to healthcare, including through the shift to outpatient care."

Recommendations by our member, Eparhia Reformata din Ardeal

- Increase the opportunities on the labour market for young people.
- 2. **Better integrate Roma people** into the Romanian society.
- Provide more financial support for the NGOs active in the medical and social fields.

Eparhia Reformata din Ardeal highlights, like the Commission, the need for better integration of Roma people in the Romania society (recommendation 1).

Similarly, the integration of young people onto the labour market remains a challenge in Romania, which is a worse performer on the youth NEETs rates in the EU (17.4% of 15-24 yo in 2016 compared to an EU 28 average of 11.6%). This is mentioned in recital 11 but could

have been in the recommendations themselves (recommendation 2).

Finally, the Commission insists on the need to improve access to healthcare in Romania, which is in line with Eparhia Reformata din Ardeal's insistence on the need to support NGOs active in providing health and social services in Romania, since they help filling the gaps in the current system (recommendation 3).

SWEDEN

2018 draft CSRs for Sweden related to employment, health and social policies

CSR 1: "Address risks related to **high household debt** by gradually reducing the tax deductibility of mortgage interest payments or increasing recurrent property taxes. Stimulate residential construction where shortages are most pressing, notably by removing structural obstacles to construction, and improve the efficiency of the housing market, including by introducing more flexibility in setting rental prices and revising the design of the capital gains tax."

Recommendations by our member, Church of Sweden

- Intensify the integration efforts for newly arrived refugees and migrants with stronger overall social investments in social services and a holistic approach by the government, churches, NGOs, civil society and all the other actors involved to better work together and keep the cohesion in society.
- Tackle income inequality to guarantee the current social welfare system for the next generation and to alleviate hardship on persons/families with low incomes.

Church of Sweden considers that there is a lack of a coherent and comprehensive plan to promote the integration of newly arrived persons. There are concerns about recent shifts in Swedish migration policy, including the temporary asylum law. This law contains temporary residence permits for most asylum seekers, restrictions of the right to family reunification, and the general removal of the possibility to obtain a resident permit on humanitarian grounds. These changes have a significantly negative impact on the wellbeing of asylum seekers and newly arrived persons. (recommendation 1). The challenge integrating people with a migrant background onto the labour market is mentioned in the recitals (recitals 7 and 9) but would have deserved a recommendation considering the latest developments. Indeed, a change in the political agenda and tendencies of political polarization can be seen in Sweden, especially on issues related to asylum seekers, migrants,

undocumented persons, and on access to social welfare services for these groups. This development is threatening social cohesion in the Swedish society.

In Sweden, the gap between those with the lowest incomes, often standing outside the labour market, and those who are in work has widened. Real wages are steadily increasing but subsidies have not increased to the same extent. Relative poverty often affects children and young people in a negative way: too many people living in a small apartment makes it difficult to study and might have negative impacts on school results. A low family income also makes it difficult for children to take part in recreational activities which cost money 2). The risk (recommendation of intergenerational inequality is highlighted in the recitals (recital 7), but the one represented by rising income inequalities should have been raised as well.

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