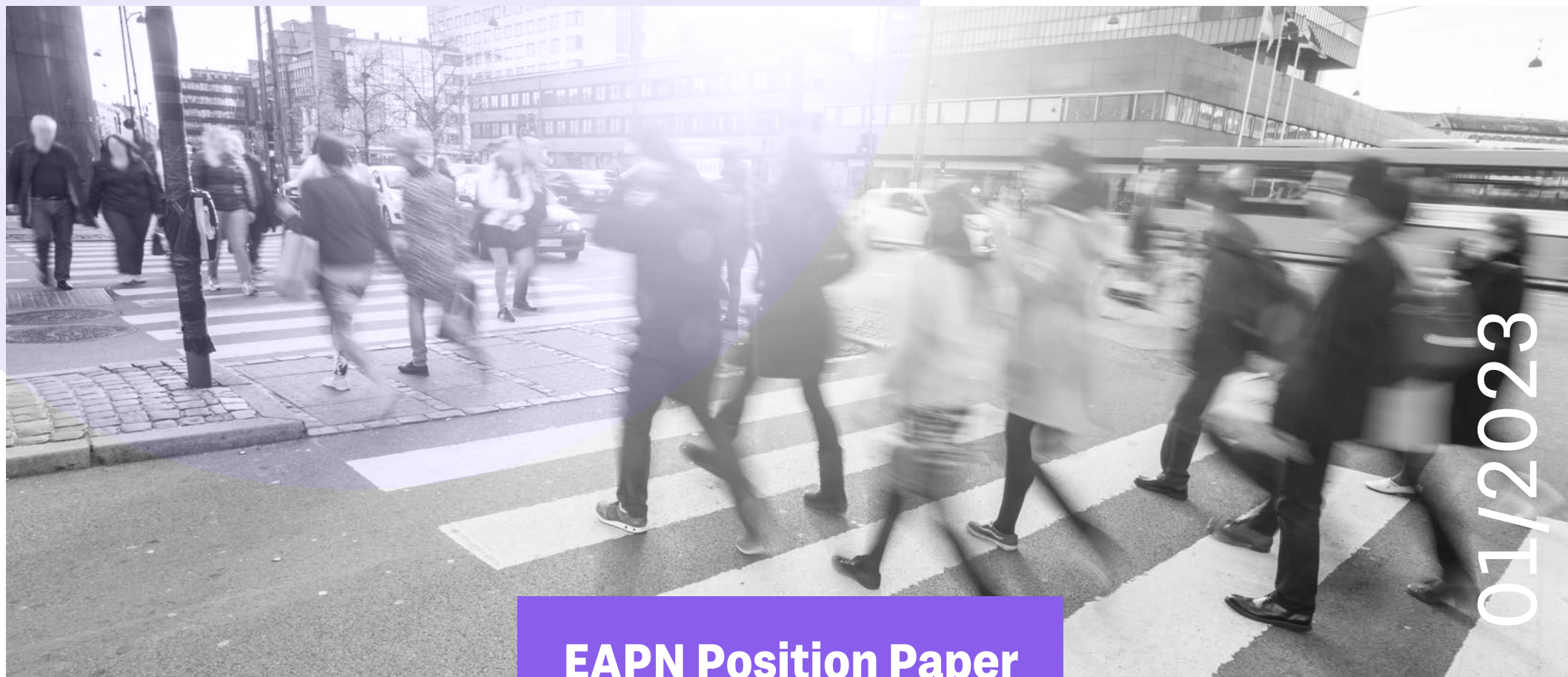


# Reaction to the European Semester Autumn Package



**EAPN Position Paper**

01/2023



EUROPEAN ANTI POVERTY NETWORK

**The European Anti-Poverty Network** (EAPN) is an independent network of non-governmental organisations (NGOs) and groups involved in the **fight against poverty and social exclusion** in the Member States of the European Union, established in 1990.

# Reaction to the European Semester Autumn Package



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# Introduction

The European Semester continues to frame the recovery in terms of economic stability, productivity, competitiveness and free movement of goods and services in the single market, underpinned by weak social components and indicators. Moreover, the Recovery plans have centred GDP and economic growth as the main measures of progress and a healthy economy. This approach undermines a rights-based approach to social redistribution of wealth, equity and inclusion, that works for the people and the planet.

**This year, the European Semester has again missed the opportunity for an ambitious approach to fight social exclusion and poverty:**

social protection and active inclusion are still barely mentioned, when not related to the integration of workers in the labour market. **EAPN was concerned by the already inadequate social protection systems in place even**

**before 2020, worsened by the austerity measures following the 2008 crisis.** Today, the inadequate and insufficient efforts made to fill the gaps in social protections lead us to raise the alarm on this model where the most vulnerable, who will not be integrated into the labour market, are not taken into account in the recovery plans and the plans for the future of Europe.

**The recovery plans, as much as measures implemented by governments since the COVID-19 crisis, are designed to protect businesses as a priority in the hope that the gains will trickle down to the rest of society. This model and set of economic beliefs continue to fail people in poverty. EAPN believes the European Semester should encourage Member States to better link social fairness, inclusion and equity, for the benefit of the most vulnerable.**

January 2023

# The policy priorities for a socially just European Semester?

## Adequate social protection schemes

The Annual Sustainable Growth Survey (ASGS) 2023 acknowledges the need for targeted measures to address the energy crisis to have an actual impact on low-income households who are hit the hardest by the increases in prices. It also calls for the preservation and guarantee of the adequacy of social benefits.

**While emergencies and temporary measures are welcome to support low-income households, the multiple crises have proven the need for resilient social protection schemes.**

**For EAPN, minimum income is the cornerstone of an ambitious anti-poverty strategy, relying on three pillars: adequacy, accessibility and ensuring access to other key social rights for minimum income beneficiaries. EAPN urges the European Commission to initiate a proposal for a framework Directive**

**on Adequate Minimum Income, enabling the design and implementation of benchmarking mechanisms, thus allowing a consensus in society about adequate income and decent standards of living.**

On 16 June 2022, EU Employment and Social Affairs Ministers presented their national targets and as stated in the 2023 Autumn Package ASGS “progress towards the EU and national targets will be monitored as from this European Semester cycle, starting with the Commission proposal for the 2023 Joint Employment Report (JER)”. **EAPN regrets that countries with the lowest GDP per capita aim to contribute the most to the poverty reduction target. There was strong potential to have a more equitable distribution of the target, with solidarity measures among Member States.** Yet this is not reflected in the current national targets. **We see time and time again that the EU offers no comprehensive EU strategy when it comes to social rights: this is always left to the Member States, which in the current case, is leading to an unfair distribution of the already unambitious EU poverty reduction target.**



## EAPN Specific Recommendations:

- Ensure adequacy of social protection, especially in the context of the unbearable cost of living.
- At least annual indexation of social benefits and wages to maintain decent and dignified standards of living in times of inflation crisis (especially minimum income and wages, pension schemes and child guarantees).
- Refrain from and remove strong conditionality and punitive measures to social benefits schemes, such as minimum income.
- Ease the way to the labour market through positive measures in the tax and welfare systems to maintain the incentive to work.
- Call for a framework directive on adequate minimum income.
- Address the structural barriers to the take-up rate of social protection schemes, particularly minimum income.
- Remove heavy bureaucracy in social protection systems and design specific policies to improve the take-up of under-served communities (racialised minorities, women, persons with disabilities, people living in homelessness, young people, and older people for instance).

- Promote a rights-based and person-centred approach to universal and non-discriminatory access to affordable quality essential services, rather than a conflicting interaction between a market-driven approach and public interest.
- Access to affordable healthy food should be integrated in the framework of essential goods and services, particularly in the context of the cost-of-living crisis and in relation to the link between healthy people and a healthy planet in the European Green Deal.

## Energy Poverty for some or a Socially Just Transition for all

**For EAPN, access to clean and affordable energy is a fundamental right. Moreover, energy is a public good and an essential service whose accessibility and affordability must be ensured regardless of whether the provider is public or private. Therefore, energy poverty cannot be reduced without social justice in the green transition and the European Green Deal.**

Access to electricity at a reasonable price and to affordable clean energy is still poorly addressed. This leaves vulnerable people behind, in the absence of adequate energy efficiency measures, a review of the electricity market design or an accessible clean energy transition. People experiencing poverty have been, for at least two years, in an impossible position where they must make unacceptable choices between rent, electricity, gas, health, and food. More than 50 million people across the EU are experiencing energy poverty and cannot sufficiently light, heat or cool their homes, with inadequate housing linked to 100,000 premature deaths annually.

**To this date, the green transition is not working for the most vulnerable and low-income households. Policies and legislation to improve the access to clean energy and decarbonisation do not include the specific challenge of low-income households, especially related to housing renovation nor do they tackle the most urgent issues brought about by climate change, including access to food and the impact on health.**



We, therefore, welcome the agreement achieved regarding the Social Climate Fund in December 2022. However, we deplore:

- The fossil fuel subsidies remaining coupled with price capping;
- The system of free allowance, under ETS I and ETS II, which does not encourage phasing out of fossil fuels;
- The lack of clarity for vulnerable households after 2027;
- The lack of plans and resources for Member States to invest in decarbonisation;
- The risk of negative impact from ETS II on vulnerable households remaining high;
- The lack of accessibility to long-term measures for low-income households.

While the Just Transition puts emphasis on the need to reskill and upskill workers, policies responding to climate change affect economic activities, regions and workers in different ways.

**Adverse effects are expected on specific sectors concentrated in remote areas or disadvantaged regions and linked to certain population groups – low-skilled workers, low-income households, and vulnerable groups including the elderly, young people and women.** The transition to a climate-neutral economy unlocks new opportunities for environmentally-friendly jobs, but the European Union and its Member States should not underestimate the significant impact on the labour market for the groups aforementioned.

## EAPN Specific Recommendations:

- Integrate a 3-pillar approach: adequate income, energy efficiency and fair prices.
- Ensure renovation, energy efficiency and renewables programmes for energy-poor households and those living in rented houses and social housing, by prioritising targeted public investments.
- Make decarbonisation inclusive for all consumers: with gas network costs distributed across fewer consumers, low-income households that remain on gas are likely to soon bear a higher cost burden via their bills.
- Make the link between energy poverty, climate action and human health and well-being.
- Introduce Minimum Energy Performance standards with social safeguards in the residential sector.
- Increase tax justice on energy through tailored incentives for vulnerable households and remove subsidies for polluters, including fossil fuel investments.
- Adopt a common EU definition and indicator for affordable housing costs and EU minimum quality standards on housing.



## Digital Poverty

For EAPN, digital poverty is the inability to interact correctly with digital tools and spaces, due to lack of skills, resources or even an internet connection. In its ASGS, the European Commission missed the opportunity to address the impact of digitalisation on access to rights, social protection, goods and services. EAPN is concerned by the potential effect of digitalisation on vulnerable groups, locked out of essential services, including minimum income schemes because they lack the necessary skills to navigate online services or the necessary tools (computer, internet access) to reach those services in the first place. The pandemic has accelerated the digitalisation process that was already underway, but it exposed social problems and groups that still have difficulties accessing technologies, e.g. the lack of hardware (internet connection, computer) to ensure access to education (especially for households with more than one child who had to attend school online due to the pandemic), leading to significant learning gaps which will have a long-term impact on their education and future.

**Although the digital divide is mentioned to ensure territorial cohesion within Member States, the lack of emphasis on the need for a fair and just transition for all will be detrimental to people experiencing poverty and social exclusion.**

## EAPN Specific Recommendations:

- Digitalisation should be included within an anti-poverty approach, to have a significant impact on vulnerable groups.
- Secure in-person case management to ensure proper access to rights, social protection and essential services.
- Impact assessment on the usage of Artificial Intelligence and any automated decision-making algorithm to combat opacity and guarantee eligibility and the right to appeal.
- Digital poverty in the EU – from the perspective of both service providers and users - should be monitored and assessed in relation to access to essential services and fundamental rights, through a consistent integration in the EU Semester process and the implementation of the actions under the European Pillar of Social Rights.

## For an inclusive labour market

**EAPN members report increasing participation of women and young people in the labour market, whilst some groups remain excluded from employment, such as people living with a disability. However, structural and systemic challenges remain and prevent employment from being a safe road out of poverty.**

If the unemployment rate declines in Member States, wages and adequate compensation and working conditions are still pressing issues. In Ireland, minimum wages remain below living wages, reaching a gap of 2.55€ in 2022, while in Belgium our members stress the widening gaps in wages compared to neighbouring countries. Training and vocational education programmes could potentially unlock new labour opportunities, especially in the green economy, however the impacts will be limited if not coupled with increases in wages and improvements in working conditions. Member States need to implement the Directive on Minimum Wages in a way which enables all workers to earn a living income for a decent life.

The launch of the Care Strategy by the European Commission aimed to facilitate the integration of informal caregivers in the labour market, whilst at the same time ensuring access to



quality long-term care. **Indeed, when analysing the hidden costs of informal care labour – mostly provided by women – on the economy and households, caregivers are left alone to make unbearable choices between caring for their children and/or older people and having full-time paid work, and thus an independent income and pension later on.** Moreover, **the Proposal for The Council Recommendation on access to affordable high-quality long-term care (LTC)** acknowledges that the projected increase of public expenditure on LTC (from 1.7% of GDP in 2019 to 2.5% of GDP in 2050) **does not consider the substantial contribution of informal carers - currently at 2.4% of the Union's GDP**, thus higher than Member States' funding for LTC. **This is why, EAPN urges the introduction of an instrument to formally return the economic value of the informal LTC contribution to society.** Also, the situation of low-income people and those living in vulnerable situations is particularly concerning. **Live-in carers often do not benefit from any social protection coverage and regular contracts. Building pathways to regular status for undeclared LTC workers should go hand in hand with opening legal and non-discriminatory pathways for non-EU migrant workers and the cross-border transfer of social rights for mobile workers.** The Proposal's call for fair working conditions cannot disregard the current under-representation of live-in carers' rights and the need to strengthen racial justice in the EU.

As stated in the Proposal for a Joint Employment Report 2023, **in-work poverty continues to be a challenge for Member States and attention should be given to the effect of the progressive phasing out of cushion measures implemented in 2020.**

In-work poverty requires a better understanding of the evolution of a labour market where irregular contracts and atypical workers are increasing in number. This call for a diagnosis needs to be coupled with political will to ensure that quality jobs are inclusive, opening ways to an independent and dignified life.

### EAPN Specific Recommendations on labour participation of caregivers:

- Additional social benefits and funding should now be unlocked to support informal LTC givers and recipients, regardless of informal care being a matter of preference or due to lack of available affordable care options.
- The legal status of informal carers should be defined.
- The principles of equal pay for equal work and work-life balance must be adequately enforced.



## EAPN Specific Recommendations on in-work poverty:

- Improve the policy status and awareness of in-work poverty, which includes:
  - Enhancing the Revised Social Scoreboard (RSS) of the EPSR to better highlight in-work poverty.
  - Tackling in-work poverty should be a key cross-cutting concern mainstreamed in the EPSR and in core structural employment and social policy reforms in the European Union and its Member States.
  - A more gender-sensitive, individualised poverty approach to resolve the gender paradox of in-work poverty.
- Ensure access of low-skilled workers and non-standard workers to learning and training.
- Improve social protection of vulnerable workers.
- Include in-work poverty as a cross-cutting issue in a wider consensual debate on social investment and the future of work and social protection.



# Tax justice in the service of structural social reforms to eradicate poverty

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The twin transition presents an opportunity for radical and ambitious policy changes for future generations and the planet. However, this vision must not be made at the expense of the most vulnerable. The eradication of poverty is an ambitious goal and cannot be reached without structural change in Europe. To end poverty in Europe, wealth and resources will need to be distributed drastically differently.

These changes imply a shift in the economic model paradigms, moving away from an economy of private profit toward an economy for the well-being of people.

While private businesses have largely benefited from the cushion measures during the COVID-19 crisis, it is time to see profits being redistributed. In order to achieve this change, taxation must be the primary instrument to guarantee solidarity, especially in times of crises, because profits cannot remain private while the costs of the crisis are borne by the public sector, in particular when revenues are made through unfair

increases in prices.

**Reacting to the 2022 country reports, our members have warned against the lack of an integrated approach to inequality and poverty.** The different crises since 2020 have proven the need for resilient societies to have adequate social protection and access to quality essential services for all. Any austerity actions will have dangerous effects on the most vulnerable and people experiencing poverty. The pandemic has opened up the possibility of a revision of the rules of economic and social governance and reducing public expenditure cannot be the only



tool to reach fiscal balance. **A temporary suspension of the EU fiscal policy rules for 2023, through the general escape clause, must not imply a return to a pre-COVID model of public expenditure in 2024.**

The COVID-19 crisis has exposed the decline of the welfare state already weakened since 2008 and the effect of the subsequent years of austerity measures. **Going back to “normal” is not an option for those communities for whom “normality” before COVID equates to deprivation and struggle.** The Recovery and Resilience Facility and European Pillar of Social Rights can be channelled to significantly improve the lives of millions of people in Europe. The Recovery and Resilience Facility would have been the opportunity to structurally address social exclusion, but the national plans are leading to a twin transition that still fails to be socially inclusive. The political will to centre people’s well-being in times of crises is paramount to ensure a solid recovery. The times of multiple crises are not over, and the consequences will continue to unfold in the long term. Member States and the European Union must not make the mistake of returning to the pre-COVID state where people in poverty were struggling to make ends meet and inequalities were unbearable. The recovery offers the opportunity for an ambitious and structural tax justice for more social equity and to end poverty once and for all.

## Addressing the specific need of vulnerable groups

The multiples crises since 2020, or even since 2008, have exacerbated systemic and structural inequalities in our society, putting some communities, including racialised and LGBTQI+, in more unsafe and precarious situations. EAPN and its national members stress the over-representation of some groups at risk of poverty (persons with disabilities, Roma/Travellers, single/solo parents, children, young people, elderly, women and migrants) and groups who are affected by structural social, economic and territorial imbalances. This observation calls for targeted policy measures to dismantle the systemic barriers and discrimination those communities face daily. Accessibility and even eligibility to social protection schemes need to be established drawing on the lived expertise of those vulnerable groups. **The participation of vulnerable communities in policy development, implementation and evaluation is paramount to designing effective policies.**

# EAPN Members' Alternative Recommendations

## Country

## Alternative Recommendations

### *Croatia*

- Reduce the population at risk of poverty and social exclusion.
- Increase the public investment for social protection: ensuring minimum income for all in need, in order to prevent and combat poverty.
- Introduce structural social reforms: ensure benefit distribution to be linked to the minimum standard of services, mostly to avoid regional disparities and quality of and access to services.

## Portugal

- Address child poverty.
- Improve the effectiveness of tax and social protection systems.
- Ensure transparency in the announcement and application of funds.
- Enhance the investment in the quality of work and employment as a way of combating in-work poverty.
- Ensure prudent fiscal policy and consider continued temporary and targeted support to households and firms most vulnerable to energy price hikes.
- Guarantee the progressive increase in the National Minimum Wage: in particular, guarantee an improvement in the average wage, with a focus on boosting qualifications and productivity.
- Promote the Decent Work Agenda.
- Guarantee the design, adequate budget and implementation of the Action Plan of the National Strategy to Combat Poverty and the Action Plan of the Child Guarantee to achieve the European Pillar of Social Rights poverty target.
- Expand public investment in social housing and promote a policy of regulation of housing market prices.
- Better coordination, cooperation and coherence between central and local administration and social entities.

## *Lithuania*

- Improve the tax system, making it more progressive and by increasing tax collection.
- Increase the adequacy and accessibility of social benefits, especially minimum income.
- Increase the availability and quality of social services, focusing more on identifying and responding to individual needs.
- Increase housing accessibility, in particular by reducing waiting lists and improving the quality of social housing.

## *France*

- 10% increase in social benefits (e.g. Minimum Income).
- 10% increase in housing benefit.
- Use funds from the Resilience and Recovery Plan at the European level to let the remaining costs for building renovation for poor owners and renters be zero.
- Massive investment in supporting people in poverty to tackle the digital divide.

## *Ireland*

- Fully implement an integrated anti-poverty strategy addressing adequate income, access to affordable public services and access to decent jobs for those who can work.
- Benchmark social welfare rates to a level that is adequate to lift people above the poverty line and provide them with a Minimum Essential Standard of Living.
- Increase the supply of direct build public social and affordable housing to a level which is adequate to meet needs.
- Ensure that no-one is left behind in the climate transition, which must be just, inclusive and not result in increased levels of poverty or social exclusion.



## Poland

- Increase family allowances and thresholds by 100%.
- Start to index family allowances and universal child benefit annually and increase by accumulated inflation.
- Redirect one-off supplements to pensions to annually increase and index the permanent benefit for poor older people without the right to a pension and those with pensions significantly lower than the minimum.
- Change the rules for establishing the criteria and guaranteed level of the temporary benefit from social assistance: it should be guaranteed at 100% and a standard period for which it is granted should be adopted.
- Introduce the principle that the unemployment benefit during the whole basic period of its payment cannot be less than 50% of the minimum wage.
- The system of supporting the employment of social assistance recipients through employment services, vocational rehabilitation, social employment and the social economy should be reformed. Each local government should be obliged to introduce concrete measures in this regard financed by a labour fund.

## Netherlands

- Invest in reducing the energy costs of tenants and low-income groups.

## Malta

- Review the COLA mechanisms to reflect the true, current cost of living.
- Ensure all citizens have minimum income.
- Revise the 60% median income to 100% median to improve quality and decency of life; this must be adopted at the EU level.
- Implement and strengthen digital cash for social benefits.
- Set community-based care facilities to prevent isolation.
- Provide adequate living space in sustainable inclusive communities.
- Allow the prescription of healthy food to low-income households.
- Assist low-income households with overdue water and electricity bills.
- Set up a national Research Institute on Poverty and Social Justice.

## Belgium

- Digitalisation must make the automatic attribution of rights possible, with the necessary data protection.
- Remove the barriers that many people face today to enter the labour market.
- Do not limit social benefits or make them conditional. Social benefits must be accessible. The far-reaching conditionalisation of benefits in both social assistance and social security must be reversed.
- Positive actions to support the employability of people experiencing poverty, such as education and training, are needed.
- The increasing precarity of jobs must be prevented.
- More investment is needed in the social economy.
- The participation of people experiencing poverty in the policy process should be strengthened and guaranteed in every step of the process.
- Minimum income schemes must be increased to above the European poverty line.
- Belgium should have a clear strategy and measures to ensure that people in poverty can also take part in the green and digital transitions and that these transitions are just.

## Czech Republic

- Ensure greater access to debt relief, adopting systemic legislative change and fairer rules. In our view, the changes should include a system of 1 debtor - 1 bailiff, independent allocation of foreclosures by courts and local jurisdiction of bailiffs (territoriality). Currently, the debt issue is also topical in view of inflation and the large increase in energy prices, where more friendly rules for clients at risk should be set and establishing repayment schedules should be supported. It is essential that people can lead a dignified life and be able to provide for their basic needs in the event of foreclosure in the case of insolvencies. It is necessary to harmonise Czech legislation with European legislation and to amend the insolvency act (changing it from the current five years to three years and harmonising the amount of uncollectible amounts).
- Ensure adequacy of minimum income schemes to cover all the necessary basic expenses and ensure a decent life.
- Set up a continuous indexation mechanism so that the minimum income is gradually increased annually, in line with wages (see the consumer basket, which measures the real purchasing power of the population in each country).
- Ensure that social services and social enterprises are adequately funded to assure their operation and further development.
- Ensure stable social services funding, increase workers' wages and improve their working conditions, including through adequate training and support elements (e.g. psychological support in crisis situations).
- Set quality and staffing standards for long-term care.

- Regarding social protection, we support a complete overhaul of the benefits system to make it more transparent, flexible and better targeted. The Czech Republic still has a problem with accessibility (for example, only a quarter of people entitled to housing benefits are covered), as well as late payment of benefits. The welfare system needs to be revised to ensure that benefits are approved in a flexible way that is appropriate to the individual's current adverse situation, that it pays people to work, and that debt is avoided.
- During the negotiations of the new programming period, a 10% reduction of the ESF+ allocation was agreed. We recommend that the government focus on the opinions of experts from NGOs during the development of the ESF+, direct funds to address the current situation in the social sphere and reopen the issue of the conditions for drawing funds from the EU.



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