

socialplatform

FINANCIAL AND ECONOMIC CRISIS: SOCIAL NGOS PROPOSALS FOR A EUROPEAN RECOVERY PLAN

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In this document the Social Platform, the largest coalition of European Social NGOs, outline actions that the EU can take to mitigate the impact of the crisis on vulnerable people. This document is a contribution to the European Commission's recovery plan to be adopted on 26 November 2008 and has been developed by members of the Social Platform and approved by its management committee on 19 November 2008.

We were in a crisis before the financial crisis exploded. A crisis of continuing massive poverty, growing social inequalities and climate change. This is not news and the crisis of the financial system is no surprise: caused by the irresponsible lending and unacceptable negligence by those in charge of the financial institutions and regulatory bodies of the world, caused by the 'no-regulation is better regulation' mantra, caused by the resignation of Member States from their regulatory role, it is a clear and painful demonstration that no regulation leads to a financial turmoil and dreadful economic and social consequences: 15-20 million people worldwide will lose their jobs in the coming year, according to the International Labour Organisation.

Bailing out banks is definitely not enough should we want a meaningful and effective recovery plan at EU level. Using the same means that led to the crisis will not only be inappropriate but lead to more social injustice. People and citizens are therefore watching their decision-makers out as they decide on how to get them out of the crisis.

It is therefore time to show leadership and shift our economic development towards a social and sustainable model, investing in a greener and more social economy that will be respectful of people and the environment. This means that another economic model is possible and should be sought for: The lesson of this crisis - the value of investing in people and ecological solutions - is far more important than speculative investment as it benefits the whole of society and strengthens its resistance to such crisis driven changes.

If the gap between the disadvantaged and the wealthy widens, it will cost society more in the long run. The most vulnerable of us must not pay for the mistakes of leaders in the past. Rather than a recovery plan, lead us towards a social and sustainable model of society.

How to deal with the impact on people and the real economy?

- **No backtracking on social, health and education investments**

The impact of the economic crisis will hit the most vulnerable worst. Adequate minimum income, social protection systems, first pillar pension, education, health, social housing as well as social and health services, are essential infrastructures in this period of financial and economic crisis. Not only do they protect people against poverty but they are also crucial in maintaining economic activities, confidence and investment in future well-being.

What actions to take?

- The European Commission should invite Member States to invest in these infrastructures using redistribution mechanisms
- The European Commission and Member States should monitor tax cuts to ensure that it is not detrimental to solidarity objectives
- The European Commission and Member States should consider investments in social infrastructures, health and education as investments and not a cost in national budget and accountability system, as well as in the Stability Pact
- Alike the High Level *Expert Group* on EU *financial* supervision, the European Commission should set up an expert group to monitor and make proposals on the social impacts of the financial crisis, especially on social exclusion, poverty and pensions

- **Impact on the labour market: the recommendation on active inclusion and anti-discrimination legislations are more relevant than ever**

The European Commission adopted in October 2008 a recommendation on active inclusion to help guide EU countries in their strategies to address exclusion from the labour market. It aims to reintegrate into the labour market all those who can work while providing the necessary resources to live a dignified life to those who cannot. The recommendation recognised that, for labour market integration to be sustainable, disadvantaged people need to be supported with sufficient resources and personalised employment and social services to ensure their social participation and their capacity to carry out a job. The recommendation is based around three key aspects: adequate income support, inclusive labour markets and access to quality services.

In addition, in a time of economic crisis, people must not be rejected from the labour market because they are women, or suffer from disabilities, are older, younger or with a different sexual orientation, or from a different origin or religion (or any person belonging to one of multiple discriminated identities). Legislation on gender equality, equality and non-discrimination needs to be extended and implemented to remove structural barriers to employment.

What actions to take?

- The European Commission must consider the recommendation on active inclusion as one of the pillars of its response to the economic crisis
- The European Commission and Member States should establish a roadmap on how the recommendation can be effectively implemented at national level, and therefore how Member States can live up to their commitments
- The European Commission should particularly work with Member States to establish adequate minimum income schemes, irrespective of people's chance to participate in

the labour market: this will help people to stay aboard in a crisis time and ensure a life in dignity for those for whom paid employment would never be an option.

- The European Commission should strengthen its monitoring of the existing anti-discrimination directives and push Member States to implement the directives more effectively
- Member States should focus their attention and efforts on people with low skills and temporary contracts who are to be the most affected by the economic crisis and the first off the labour market.

See European Commission recommendation on [active inclusion](#)

See European Union directives on discrimination on the labour market and in all fields of life

- **Do not divert European Social Fund away from social inclusion objectives**

Active inclusion of people on the labour market is not enough. Some people do suffer from social exclusion while not being able to work (e.g. children for instance). This means that the European Commission should not focus all of its efforts to mitigate the impact of the economic crisis on the labour market but address social inclusion. One of the tools to do so is the European Social Fund and this should be kept as a way to finance social inclusion objectives.

What actions to take?

- The European Social Fund main funding scheme must be mainly directed towards social inclusion activities rather than solely labour market oriented projects

- **Invest in a core set of services to create sustainable and decent jobs**

While the economic downturn has already impacted on unemployment levels, personal, social and health care services are a rich source of job creation and are essential to respond to social and demographic changes. Investing in this pool of job creation can provide a response to job losses and ultimately help responding to existing demands in society. There is also growing evidence that if properly linked to labour, health and social services, early childhood services can be expected to deliver additional outcomes, such as integration of single mothers to the labour market, less family poverty, better parenting skills and greater family and community cohesion. In addition, services provide a cushion and a trampoline for people that will be affected by the crisis.

However, although social services will be crucial, these jobs are often unattractive due to the lack of life-long learning schemes and poor working conditions (temporary and/or part-time contracts).

What actions to take?

- Instead of short term subsidised contract, Member States should be invited to invest in developing the sector of personal services working in partnership with actors of the social economy and improving working conditions and qualifications systems.
- A task force could be created within the European Commission to centralise expertise on this sector highly relevant for citizens and for the economy
- European Social Fund could be used to support initiative in this sector
- Life long learning schemes and programmes at EU and national level must be invested in the social and health services sector to make it more attractive for potential workers

See work of the European Commission on [social services of general interest](#)

- **Guarantee access to core services**

With the financial crisis, unemployment has already risen. People will therefore have less financial means and proportionally will therefore spend more of their stretched resources on basic goods: food, rent, energy and transport– especially with the winter ahead of us. Fuel poverty and the protection of vulnerable consumers against high prices must therefore be prioritised. People who depend on energy to survive must be protected.

What actions to take?

- ➔ European Commission must take action to ensure the correct implementation by Member States of the rules on universal service provision and users' rights in existing EU directives and regulation in the field of services of general interest (e.g. electricity, transport, communication networks or postal services)
- ➔ The European Commission and Member States should support and implement the European Parliament position on electricity directive

See European Commission's initiative for a [Citizens Energy Forum](#)

See Position of the European Parliament on electricity directive and in particular [Energy Poverty amendments in Art. 3](#).

- **Promote energy efficiency, create green jobs and target the housing sector**

The crisis can be an opportunity to invest in energy savings, especially in existing buildings: Through renovation, the total energy consumption of existing building can be considerably reduced. The Social housing sector can be targeted by public investment as this can support the creation of green jobs, reduce costs for the most vulnerable groups and help fight against climate change. Residential sector has been identified as one of the major potential to reduced CO2 emissions by "green investment" in refurbishment of housing. The International Labour Organisation (ILO) has identified a potential of 2.6 millions of jobs to be created in that sector by 2020

What actions to take?

- ➔ The European Commission should redirect structural funds in promoting energy efficiency with a priority on social housing and vulnerable people

See European Commission work on [energy efficiency](#)

- **Recognise and support the role of Social NGOs as forefront actor in crisis**

In this period of crisis, grass root actors are often the best placed to provide immediate support to people in needs and to respond in a flexible way to new demands. Shelter, food, social services will be provided throughout Europe by millions of citizens organised in associations. These associations generate social cohesion and inclusion as well as jobs (see point on health and social services). EU institutions and Member States should be encourage to develop closer partnership with this sector. It is crucial that European and public money reach these actors.

What actions to take?

- ➔ The European Commission should call on Member States to recognise and support the work of associations active in the social sector, especially through funding
- ➔ The European Commission should reintroduce a system of global grants in the European Social Fund

Which financial market architecture do we need?

- **Tighten financial regulation**

In order to ensure that the current crisis is not repeated in the future, a new supra-national legal framework must be designed. Financial products that encourage speculation need to be closely controlled and the pursuit of short term profit at the expense of social and sustainable development goals should be restrained.

What actions to take?

- The European Union must take a lead to establish the supra national framework at an international level
- The European Commission to call on Members States to adopt a new supra-national legal framework for a reliable and ethical financial sector

- **Guarantee access to basic banking services**

Banks must focus on their basic role: saving people's money, providing credit facilities and financing individual and business projects. No or restricted access to basic bank services means difficulties to find a job, to create a business, problems in finding proper housing or extra costs for paying bills. There is also a risk for vulnerable groups, beyond the risks of repossession (45.000 are forecasted by the end of 2008 in UK only); in Spain 180.000 households have problems to pay their mortgages as it has increased by 80% in the last 3 years.

The new supra-national legal framework must also guarantee the financial inclusion of vulnerable groups – specifically via the right to a bank account, to credit at a reasonable interest rate, and to the protection of savings.

What actions to take?

- The European Commission should recommend to Member States to match public funding of the banking sector with guarantees that banks will ensure the right to a bank account, to credit at a reasonable interest rate and protection of savings, especially for vulnerable people
- The European Commission should call on Member States to take appropriate emergency measures for vulnerable peoples e.g. mortgage rescue schemes or freezing of interest rates for mortgage like in Spain
- The European Commission must support alternative finance (cooperatives, ethical finance) as well as microcredit schemes
- On fighting discrimination: Banking services must be made accessible to all. Excessive risks, due to illness, disability, age, poverty or any other types of conditions, should be covered by solidarity based insurances.

See work of the European Commission on [financial inclusion](#)

- **Guarantee that public money is used properly**

Member States have decided to invest public funding to save the banking sector. This investment should therefore serve public purposes and not feed into the previously financial bubble and therefore be detrimental to the real economy. In addition, credits and investments will be crucial to ignite a new growth cycle. Taking into consideration climate change and the social needs, they should serve to invest in green and social innovation.

What actions to take?

- The EU should encourage member states to attach guarantees that the new funds will go into maintaining decent jobs and supporting investment in green and social innovation.
- The EU should encourage the creation of project financing mechanisms, possibly through banks or mutual investment organisations. These should obtain tax incentives when financing green and social projects.

- **Ensure solidarity between Member States**

Europe's strength lies in its solidarity and ability to act together. While each member state will be affected by the economic recession, it is important not to forget that the less well-offs may not be able to cope with the consequences of the crisis or even face bankruptcy altogether.

What actions to take?

- European Global Fund must be increased and used to support Member States facing difficulties
- Particular attention in the structural funds must be dedicated to these countries

How to work towards global solutions?

- **Defend and promote the European Social Model at the international level**

Europe' strength when confronting to the economic crisis will be its strong social model: Social protection institutions and strong labour market institutions provide a cushion as well as a trampoline for people affected by the crisis. And yet 50 % of the world's population does not benefit from social protection. It is therefore a duty of the European Union to take leadership in ensuring that other countries move towards strong and effective social protection institutions.

What actions to take?

- The European Commission and the Presidency of the European Union must take a lead on promoting the European Social model as a way to respond to the economic crisis and push for it in the mandate of the IMF and the World Bank
- The European Union must call for a more inclusive approach to the financial crisis: the G20 is a good step forward but the world counts more countries than 20.
- The European Union should push for a Decent Work Agenda to be adopted by all countries in the world and promoted by the IMF and the World Bank