

RE-InVEST Policy Brief

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The impact of social disinvestment on vulnerable groups during the crisis in Europe

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RE-InVEST is an ongoing Horizon 2020 research project, in which academic researchers, civil society organisations and vulnerable people at grassroots level from 12 European countries jointly reflect on the foundations of a social investment strategy for a more inclusive Europe. In the first stage of the research, 13 local groups (NEETs, mental health care users, migrants, disabled people, homeless people, families at risk of eviction) analysed how the crisis of 2008-2013 affected their capabilities and human rights, as well as their relations with society at large. This ‘merging of academic, professional and experiential knowledge’ resulted in a unique and incisive account of the devastating effects of austerity policies on vulnerable groups in Europe.

The economic impact of the crisis was obviously very different across Europe, with countries such as Austria and Switzerland experiencing a far lower impact than Portugal, Latvia or Romania in terms of unemployment, poverty and austerity measures. Nevertheless, vulnerable groups in all study countries experienced severe damage through various mechanisms: labour market effects and related income losses (unemployment, wage decreases, forced migration, precarious and unprotected work and weaker unemployment protection), housing market effects (evictions, homelessness, increased rents), financial exclusion (over-indebtedness, no access to credit) and government measures (tax increases, ‘social disinvestment’ through increased prices or cutbacks in public services, austerity measures in social protection).

These mechanisms affected the basic rights and capabilities of vulnerable groups in quite dramatic, long-lasting and often almost irreversible ways (school dropout, health damage, disrupted family ties, social isolation, etc.). Above all, our vulnerable research partners experienced severe psycho-social distress, due to a ‘social climate change’. The effects reach beyond the individual level and undermine the collective agency of local communities, civil society organisations, cities and public services. Overall, vulnerable people experience a generalised increase in individualism, social distrust and stigma, and a weakening of social rights as public services are getting overburdened and adopt more controlling and punitive ways of treating their clients.

The research findings provide concrete suggestions for the implementation of the European Pillar of Social Rights, combining a social investment agenda with legal measures to strengthen of the principle of non-regression in the protection of basic social rights.

Social disinvestment

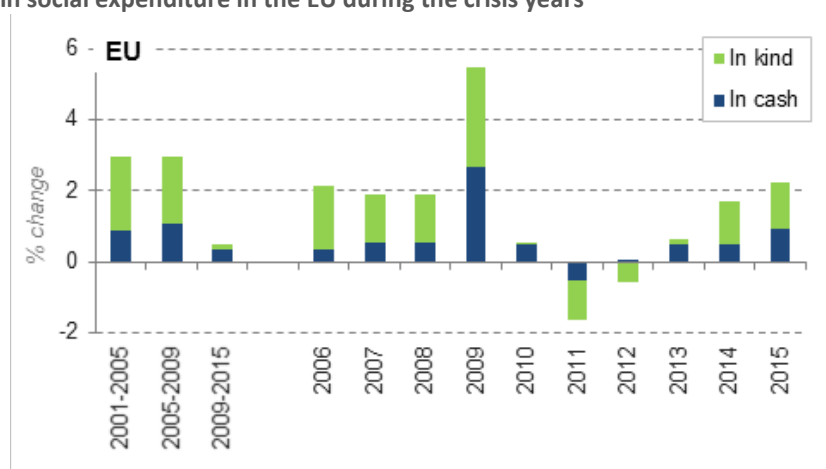
The focus of the RE-InVEST project is on the role of social investment in rebuilding an inclusive Europe. In its Communication of 2013, the European Commission defines social investment as: *‘strengthening people’s current and future capacities. In other words, as well as having immediate effects, social policies also have lasting impacts by offering economic and social returns over time, notably in terms of employment prospects or labour incomes.’* Whereas the Commission’s documents often refer to ‘investment in human capital’ and ‘economic returns’, the RE-InVEST consortium views the goal of social investment as fostering people’s capability to lead a life they value and have reason to value as well as strengthening their human rights. The Commission also stresses the need for ‘better targeting’ of investments in order to reach out to the most disadvantaged groups (without dismissing the importance of universal social policies). We interpret this point as a priority for invest-

ment in 'basic capabilities' and human rights. Finally, the term 'social' implies that benefits reach beyond the individual level, including effects on social cohesion and the collective agency of vulnerable groups.

This 'positive' interpretation of the Social Investment Package contrasts with the regression in social policies at EU-level as well as in many member states in the past decade. Hence, it is worth analysing how the cutbacks in social investment - or indeed social *disinvestment* - in that period had affected the lives of vulnerable groups.

Figure 1 reflects the dynamics of social expenditure during the crisis years. Note that it is impossible to distinguish clearly between social investment and other types of social expenditure in European statistics, not only for statistical, but also for conceptual reasons. Assuming that social investment relates to most of the public in-kind services to citizens (childcare, education, health care, etc.) and at least part of the cash transfers, the picture reveals that the much-boasted role of social expenditure as a built-in stabiliser has been put into practice only in 2009, when social outlays rose more than in previous years. As from 2010, however, social budgets were drastically reduced, probably under pressure of the EU's 'Six-pack' - or in the weakest member states, the Troika interventions. Shouldn't we conclude that the fluctuations in social investment produced negative multiplier effects, rather than stabilising European economies?

Figure 1 Trends in social expenditure in the EU during the crisis years



Source: European Commission, Employment and Social Developments in Europe, 2017

Severe and lasting impact

The evidence collected in this research suggests that the *human and social damage of 'the crisis' among vulnerable groups in Europe has been incisive and lasting - sometimes indeed irreversible*. It goes far beyond unemployment and a temporary loss of income. The term '*social disinvestment*' gets a wide-ranging connotation, encompassing wasted human capital (in initial education as well as in adult education and the labour market), erosion of physical and mental health (through deprivation as well as cuts in health services), homelessness and inadequate housing, disruption of families, fragmentation of social networks, increased insecurity, stigmatisation of vulnerable groups and a dramatic loss of trust in political institutions. The damage will undoubtedly have long-term scarring effects among the victims, and may well affect the generation of children born in vulnerable families during the crisis years for the rest of their lives.

Disinvestment in education:

- ▶ *'My son has dropped out of school and enrolled in the army for the next couple of years. This way he earns money at least. (...) He would have liked to study, of course. Even if he was no good at school, he could have managed his Matura (school-leaving certificate post-18). But under these conditions I can't even finance his studies anyway. (laughing) Goodbye, school. So turning his back on school was that much easier.'* (unemployed single mother, Austria).
- ▶ *'The job agency tried to force her to leave school before doing her A-levels and complete a vocational education instead in order to contribute to the income of the family. After a lot of struggle the family finally could prevent the job agency from executing the planned measure.'* (long-term unemployed mother, Germany).

Disinvestment in housing:

- ▶ *'We were in a studio. We were too many inside. And it was not good either. There was too much humidity. The walls had become green all over. We suffered a little in there.'* (Guinean family with 4 children, France).
- ▶ *'The homeless house I got put in was awful, it was £10 a day to heat. So my daughter and me were living in the bedroom, wrapped up with one heater on. The heating ran out at 2am in the morning. I knew there was usually a backup but there wasn't anything. I had a 3 days old baby.'* (lone parent, Glasgow).

Disinvestment in working conditions:

- ▶ *'In the years before the crisis she and another lady worked for a family in Italy. After the crisis her colleague could not stay anymore because of cuts in budgets. At that time the grandfather of the family got dementia. This resulted in less free time - even worse, in 24/7 availability for the 80 year old man. During the night she had to rise because the man needed care. After a period of almost no sleep and hard work, the lady returned to Romania suffering from depression due to the emotional and psychological pressure she experienced in Italy.'* (migrants, Romania).
- ▶ *'You can't live on zero hour contracts (...) One day my husband was out shopping with me and he got a phone call saying 'can he come in at three?' 'No, I can't, I am out in town, I'll be in tomorrow', he said. They replied 'I can't tell you that you can work tomorrow, you'll have to wait for a phone call'. So I went through all that with him where he was getting up at 4 in the morning to see if he was going to be in at 6. So up at 4, no phone call at six, go back to bed to see if you get your afternoon shift. No, you may as well stay up now. So you're watching that man, my husband, walking round from room to room, checking his phone, not going outside the door to see if the afternoon call comes to see if he has the afternoon shift. That call doesn't come.'* (wife of mental health care user, Liverpool).

Disinvestment in health care:

- ▶ *'I have a cataract in my eye, it is not a very serious operation, just 2-3 minutes but (...) I have to wait for two years (...) however, if I can pay 700 [Euros] plus something upfront, then I can have the operation immediately.'* (disabled man, Latvia).
- ▶ *'The prescription charges, it's scandalous what they are charging now. I was supposed to be taking medication for epilepsy and now I don't bother taking it.'* (homeless man, Ireland).
- ▶ *'My sister is celiac; it is very difficult because the medication for that disease is very expensive. My brother needs a medicine every day for his concentration. In this house everyone needs something ... it is complicated. We have to choose to help one at a time ... and then the others are deprived. We can't cope with everything.'* (young job seeker, Portugal).

Disinvestment in social services:

- ▶ *'Threats and intimidation were an integral part of [the social services'] way of working. The officials (...) did not really believe in the measures that they were being made to impose on their clients, but they were under pressure to meet their targets. (...) And if you decide to argue you'll have problems with your case manager, and it is the case manager who decides whether you will be punished or not; it's better to keep in your case manager's good books. He can punish you by reducing or stopping your benefits.* (young man about 'Participation Act', The Netherlands).
- ▶ *'It would be normal if the Social Service told the people - you can receive this, this and this - and then helped them. With us everything is the other way round - the person has to fight for it him-/herself. And if the person does not fight for it, if nobody else fights for the person and tells him that this and this and this should be done, the person will not get anything.'* (mother of disabled child, Latvia).

And the consequences: disrupted families ...:

- ▶ *'In this path my family has fallen apart ... maybe it may seem cynical but I think money is also useful to maintain a family ... The family will break for many reasons, it is true, but money affects in a fundamental way some of these dynamics'* (separated woman, Alba, Italy) .
- ▶ *'By the end of 2015 I was engaged by (...) the mine company, but they paid me only on an irregular basis. So I couldn't keep this job. And still our loan needs to be paid back in Greece. We don't see many options anymore for the future: our son needs to go to school and our grandmother is very ill and needs personal assistance. But we don't have resources to help our own family.'* (Romanian migrants).

The day after the interview the couple left Romania again for Greece, leaving their son and their grandmother behind without knowing when they would be able to return).

... and wasted lives:

- ▶ *'She uses the words "twilight zone, no awareness, tired" to talk about this period. She feels exhausted and dispirited. Her welfare payments are not enough to cover all her costs and outgoings. (...) She just lets the bills pile up; she no longer opens her electricity bills. She talks about them as "junk", "there is no solution".'* (single mother with disabled child, The Netherlands).
- ▶ *'The crisis made me worse, it made me suicidal. I didn't want to live anymore. I found myself homeless. I couldn't understand how this happened to me. I didn't see it coming ... it came.'* (homeless woman, Ireland).

Policy implications

The social disinvestment that occurred during the crisis period clearly violated one of the key principles in the implementation agenda of human rights, namely, the principle of non-regression. This means that governments cannot take measures that constitute a step back in the level of economic and social rights of the population. For cuts in social expenditure to be in accordance with international human rights law, public authorities must ensure that the rights of the most disadvantaged people are not disproportionately affected, the measures must respect the minimum core content of economic and social rights¹. This imposes an impact assessment duty on public authorities: any policy measure, whatever its nature or field of application, that could possibly affect the basic economic and social rights of citizens should be subject to a prior assessment of its social impact; and if a negative effect is expected, the measure cannot be implemented or should be accompanied by mitigation measures.

The EU should begin by questioning its own macro-economic policies such as the Stability and Growth Pact and all related instruments and measures. The review of evidence has shown that many of the most severe social disinvestment measures in recent years have been instigated, or indeed imposed, by the EU. Nevertheless, the EU disposes of policy instruments to ensure the balance between economic and social objectives. The coherence between macro-economic policies (including labour market, agricultural, internal market, external trade, etc.) on the one hand, and the EU Charter of Fundamental Rights on the other hand, should be guaranteed in principle through the systematic use of *social impact assessment* under the 'horizontal social clause' (Art. 9 of the Treaty on the Functioning of the European Union). Until now, the EU carries out such social impact assessments systematically for its own legislative initiatives - though not always with the same degree of rigour. Paradoxically, however, such assessments are not being carried out for country-specific recommendations to member states, nor for the draconic austerity programmes imposed by the Troika² on national governments in the context of debt crisis bailouts. A logical next step would therefore be the extension of their field of application: either at EU-level, during the formulation of policy recommendations to member states, or at member state level, before their implementation. The impact on basic capabilities and human rights should make up the key criterion of social impact. Moreover, good governance implies that organisations representing vulnerable groups should be actively involved in this evaluation exercise.

Further steps should also be taken to make social impact assessments more 'biting': a strict interpretation of the non-regression principle could imply that negative social impact assessments have an immediate legal suspensive effect, unless compensation or mitigation measures are taken. Such a legal guarantee, coupled with the possibility of lodging complaints, would protect the potential victims and strengthen the accountability of policy makers.

The legal framing of the non-regression principle at EU and member state level has obvious limitations due to its 'defensive' rather than proactive approach. In countries or fields where fundamental rights were never fully implemented in the past, it does not provide any basis for improvement. In this regard, the *European Pillar of Social Rights*³ (EPSR) is a straightforward complementary vehicle for new, co-ordinated social policies. The EPSR covers 20 areas, mostly related to the protection of workers, but also to social security, guaranteed minimum income schemes, early childhood education, health care, housing and access to other essential services. This ambitious framework offers many avenues for strengthened social rights, provided that member

¹ UN Committee on Economic, Social and Cultural Rights (2016), *Public debt, austerity measures and the International Covenant on Economic, Social and Cultural Rights*, 2016, UN doc: E/C.12/2016/1, para.4.

² European Commission, European Central Bank and International Monetary Fund.

³ European Commission (2017b), *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Establishing a European Pillar of Social Rights*, COM/2017/0250 final.

states agree on a solid legal basis and sufficient financial resources for their implementation. Multiple instruments are being envisaged: the use of the EPSR as a reference framework for policy reform in the context of the European Semester process, legal initiatives, the European social dialogue, and financial instruments. The latter are indispensable from a social investment perspective. Given the very limited budget of the EU (1% of European GDP), the only way of guaranteeing a substantial impact is to prioritise social investments in all instruments (structural funds as well as, for example, the European Fund for Strategic Investments). Priorities can be enforced by earmarking part of the funds (as is already the case with the European Social Fund) or making the access to EU funding conditional upon the implementation of a social investment agenda.

These policy proposals will be discussed in greater detail in one of the next work packages of the RE-InVEST project.

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