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The future of Europe needs more social investment

Social Platform, CESI and Eurodiaconia call on the European Union and Member States to honour their Rome pledge for a social Europe by reforming European Economic Governance and supporting social investment.

The recent financial and economic crisis has resulted in a social crisis, with sharply rising socioeconomic inequalities in Member States across the European Union. The Rome Declaration commits Member States and institutions to a social Europe where addressing unemployment, poverty and social exclusion are priorities and where sustainable growth reduces inequalities. Social Platform, the European Confederation of Independent Trade Unions (CESI) and Eurodiaconia welcome this commitment to social Europe but warn Member States and the Europeaninstitutions that this ambition can only be achieved if there is greater momentum and mechanisms for social investment in European Economic Governance.

There are inherent economic returns and advantages in social investment. Economies with more social investment have shown to be more resilient to shocks and perform better in crises. Adequately resourced social protection systems can work as automatic stabilisers and maintain positive effects on demand. Furthermore improved social cohesion prevents tremendous economic costs of inequalities in the long-run. It also generates social and economic returns as it enables people to be more socially and economically productive. The benefits of social investment clearly align with the Rome Declaration pledge for a social Europe that fights poverty, social exclusion, unemployment and discrimination.

However, there are limitations in the EU economic governance framework that will prevent such pledges being fulfilled. Levels of social investment have been persistently low across Member States; to date the EU has failed to facilitate substantive increases. EU-level initiatives such as the European Fund for Strategic Investments (EFSI) do not deliver sufficiently on social investment projects, and the Stability and Growth Pact (SGP) restricts, in many instances, Member States' means of engaging in social investment themselves because necessary investment in human capital and essential services including housing, social, health, and education can quickly result in a breach of the SGP's deficit rules. Accordingly, the so-called investment clause in the SGP has had limited use so far.

Heather Roy, Secretary General, Eurodiaconia stated: "The European Commission should encourage more social investments by a more systematic application of the investment clause 2.2 of the Stability and Growth Pact in relation to social investment. The Rome Declaration commits Members States and the European Institutions to upward social convergence. This cannot be realised if economic policies restrict social investment and where economic governance overlooks the long term social and economic returns of social investment. Otherwise leaders' commitments in Rome stay in Rome and do not reach the people of the European Union."

Klaus Heeger, Secretary General, CESI added that a "'Silver Rule' for public social investment could be introduced to European Economic Governance in order to effectively incentivise Member States to upscale social investment. The rule would allow for specific areas of social investment, which yield demonstrable economic and social returns, to be excluded from the SGP's current deficit provisions. Public spending in fields such as health care, childcare, housing and education must be seen as an investment in both social and economic convergence and not merely treated as a burden or cost in national budgets.

Jana Hainsworth, President, Social Platform, commented: "The European Commission is increasingly supportive of social investment, stating that it is 'a prerequisite for a successful and lasting recovery'. At a time of intensive scrutiny of the European project, it's important that EU Member States follow the advice of the IMF and OECD, both of which have called for an end to austerity, favouring instead investment to promote growth and reduce inequalities."

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