SPEECH/12

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Affordable housing, social investment and EU economic governance

CECODHAS Housing Europe Conference

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Ladies and gentlemen,

I congratulate the organisers on their initiative and thank them for their invitation to address you today.

We all know that having a roof over one's head is a fundamental need — second only to having enough to eat and drink.

We also know that the housing sector has been a major factor in driving economic growth and employment in Member States over the years.

But the speculative bubbles that developed on the housing and mortgage market across the Atlantic and in some Member States were among the early signals of a crisis that is still unfolding.

And among the social effects of the crisis has been a steep rise in unemployment and an aggravation of social exclusion and homelessness — one could even see this as an inverse situation to that of the housing and financial bubble. In any case, the point is that lack of adequate housing has become a serious social problem in Europe.

The crisis and the EU response: Europe 2020

Ladies and gentlemen,

The European Union tackled the economic crisis and its social dimensions head on from an early date.

Back in March 2010 the Commission put forward Europe 2020, our strategy for a dynamic, forward-looking economy, based on innovation, environmental sustainability and social inclusion.

This strategy has in particular helped to put employment and social inclusion higher up the EU agenda by setting headline targets for these two areas to be reached by 2020:

- an employment rate of 75% for people aged 20 to 64; and
- lifting at least 20 million people out of poverty

Following up on Europe 2020, the Commission has proposed arrangements to improve economic governance and coordination at Member State and EU level.

New governance arrangements

The new governance arrangements involve a stronger economic agenda and closer EU surveillance, action to safeguard the stability of the euro area, and action to deal with the shortcomings of the financial sector.

Let me say something about each of these three elements.

First, the EU's economic agenda and stricter surveillance are based on:

- agreed policy priorities and targets under Europe 2020;
- additional commitments taken by Member States participating in the Euro Plus Pact;
- tighter EU surveillance of economic and fiscal policy under the Stability and Growth Pact;
- new tools to tackle macro-economic imbalances; and
- a new working method — the European semester.

The European semester involves coordinating the Member States' budgetary, macro-economic and structural policies in the first half of each year.

We are currently in the middle of the second European semester. The Commission departments are assessing the national reform programmes and are drafting country-specific recommendations, including in the employment and social protection areas, for adoption by the Commission at the end of May.

Secondly, the EU has acted to safeguard the stability of the euro area and respond to the sovereign debt crisis.

This has involved setting up temporary support mechanisms, to be replaced by the European Stability Mechanism later this year. Such support depends on rigorous fiscal consolidation and economic reforms geared towards strengthening the growth potential of the countries concerned. At the same time, recovery and stabilisation of course depends also on other factors, for example the actions of the European Central Bank and overall economic growth in Europe and the world.

In March this year, 25 Member States have further stepped up their efforts for ensuring fiscal discipline by signing the Treaty on Stability, Coordination and Governance within the EMU.

Thirdly, to remedy the financial sector's shortcomings, the EU has laid down new rules and established new agencies to better reflect systemic risks, address problems earlier on and make sure all financial players are properly regulated and supervised.

Further work is in progress to ensure Europe's banks have sufficient capital reserves to enable them to withstand future shocks and continue providing households and businesses with credit.

Social impact of fiscal consolidation: need for more balance

Ladies and gentlemen,

These economic governance developments make very good sense, and fiscal responsibility is an important element in responding to the sovereign debt crisis.

Nonetheless, there is growing concern at the social impact of the Member States' fiscal consolidation measures.

This concern is echoed to some extent by the Council, which has endorsed the Social Protection Committee's "Third Report on the Social Impact of the Economic Crisis and Ongoing Fiscal Consolidation" of January this year.

That opinion draws the Council's attention to the long-term social consequences of fiscal consolidation measures being applied and to what needs doing to meet the Europe 2020 target for reducing poverty and social exclusion.

It also calls for fiscal consolidation measures to be responsive to the social needs of all generations and to preserve our social protection systems' capacity to cushion any unfair impact of the crisis and withstand economic shocks.

I am heartened to see a shift towards more balance in the debate on fiscal consolidation.

There is a growing understanding that short-term action must not only be in tune with medium to long-term priorities, but that policy actions with different timeframes must reinforce each other.

The Commission has emphasised this in the Annual Growth Survey for 2012 as well as in its recent Employment Package, which sets out a reinforced agenda for a job rich recovery. The package proposes, among others, a set of demand-side measures for stimulating job creation and underlines the role of EU budget instruments in this respect. It also elaborates the concept of a dynamic and inclusive labour market as key ingredient for economic recovery. Finally, it foresees stronger coordination and monitoring of employment policies at EU level and better involvement of social partners within the overall system of economic governance.

Social investment

The idea that social protection is actually a "social investment" is crucial to an enlightened view and can guide us towards smart fiscal consolidation.

An investment approach towards social protection expenditure and human capital formation allows us to consider the longer-term costs of non-action, both from the social and from the economic perspective. But it also helps us consider which expenditure is most important and how interventions should be designed to achieve the best socio-economic effects.

Social investment takes many forms, including active labour market and inclusion policy, action to fight against poverty and discrimination, or support for education, lifelong learning and active ageing.

Ensuring access to good housing and services sits well among these — both on its own account and as support, if not a prerequisite, for good social outcomes.

The basic idea is that social investments are made proactively to pre-empt much higher economic and social costs in the future.

It is certainly smart to invest early rather than pay later for the consequences of failing to do so. People will not develop their economic potential to the full if they do not have decent housing. Social dynamics within a community depend on material living conditions as well as on economic opportunities.

The Commission itself, through various means, is pursuing and supporting this investment approach with regard to housing policies.

EU funds directly support housing-related policies. The European Social Fund finances activities to promote the social and labour market integration of homeless people, and the European Regional Development Fund can be used for investments in social housing.

In the fight against homelessness, the Progress programme finances a study on homeless migrants and an evaluation of innovative “Housing First” approaches. There will also be a new pilot project focusing on aspects of domestic property repossession and possibilities of forestalling it.

As part of the Multiannual Financial Framework for 2014 to 2020, the Commission has proposed that at least 20% of total Social Fund financing in each Member State should be allocated to the objective of promoting social inclusion and fighting poverty.

The Commission has also proposed that each Member State should allocate at least 5% of its Regional Development Fund allocations to actions for sustainable urban development.

Besides these ongoing and proposed investments, the Commission has adapted the EU rules on State aid which are sensitive to the importance of social housing and the need for Member State authorities to invest in it.

Under the "Almunia package" on State aid for services of general economic interest, the social housing sector continues to be exempt from the requirement for aid to be notified to the Commission.

The Commission drafted these proposals following a very wide consultation, in which organisations representing social housing at national and EU level were very active.

Conclusion

Ladies and gentlemen,

The European social model is in the process of renewal, and the Europe 2020 Strategy is our main blueprint in that process. The values of cohesion, solidarity, equal opportunities and social justice remain at the heart of Europe's socio-economic strategy and they continue to be understood as important pre-requisites for our future economic prosperity.

The housing bubble may have burst, but in order to be able to make their contribution in society people still need homes. We must make sure they can afford them.

Thank you.