Social Services Europe

SSE Letter to the EC on "Actions and investments needed to support social service providers to address the increased energy costs and the cost-of-living crisis"

Brussels, 20 December 2022

Dear Executive Vice-President Timmermans, dear Commissioners Schmit and Breton,

In the last weeks, members of Social Services Europe (SSE) have run surveys[12] or had exchanges with their national members to collect evidence on the **impact of the increased energy costs and of the rising cost of living on their organisations and the provision of the social services as well as on their users**. The exchanges included the collection of solutions already being realised and the elaboration of policy recommendations for emergency, mid- and long-term measures.

Preliminary results show that **rising inflation is putting at risk not only the financial sustainability of households who rely on support services, but also of social service providers themselves**. On topic of increased expenditure by social service providers due to increasing prices for 1) energy (gas and electricity), 2) food, 3) housing, 4) transportation (fuel), 5) construction works and 6) the purchase of raw materials there has also been a considerable increase in requests for social services. Another "cost driver" identified are inflation-driven increased wage costs (as a result of automatic indexation systems or of agreements concluded between social partners in collective bargaining).

The **pressure stemming from these increased costs**[3] for social service providers has already "pushed" several of our national members to reduce staff, to reduce paid working time, to replace paid work by volunteers and/or to reduce the scope of the services they (can) deliver. Other service providers – and this from across the various sub-sectors of social services – are seriously considering such steps to contain the cost of operation for the months to come; or they see themselves forced to enact cost cutting measures if no additional financial support will be provided by the relevant public authorities[4]. Social service providers, however, have already started identifying good practice and solutions.

SSE and its members also see the **risk that an insufficient coverage of the increased costs incurred by social service providers** in the last months or possible cuts in their budgets **will result in costs being shifted to other services** – notably to the health care system which has been under continue permanent strain since the beginning of the COVID-19 pandemic, to other short-term/emergency services or to other parts of national social insurance or social assistance systems[5].

Social service providers are caught between recovery and new challenges. A first conclusion thus is that the **rising inflation, particularly the energy crisis, is putting at risk the financial sustainability of both service providers and the financial situation of the people who rely on support services and social benefits for housing and heating**. For SSE, however, **the capacity and resilience of social service** providers in the face of new societal changes, pandemics, and geopolitical instabilities, **needs to be protected** – even more so in times of crisis.

In this situation, for SSE, across all EU Members States and on different levels of government, **increased financial support in accordance with inflation rate is needed** from the relevant public authorities to cover the additional expenditure due to high energy costs of the delivery of social services. Budgets should be adapted in accordance with the inflation rates to guarantee the continued delivery of quality social services and sufficient financial means to recruit and retain the necessary staff. Our members highlight that **mobilising additional funding to enable social service providers to continue pursuing their service missions[6] and objectives[7] has become urgent**.

Long-term oriented and/or resilience-building measures are also crucial. Investments **in sustainable and energy-efficient services and infrastructures** could be encouraged to use the Recovery and

Resilience Fund (RRF), the European Regional Development Fund (ERDF) and the **European Social Climate Fund**.

However, investments in the green transition must not shift away money from investments in social inclusion measures. **The money attributed in the ESF+ Programme 2021-2027 for a target group or EU-level policy initiative** (e.g., European Platform for Combatting Homelessness, Child Guarantee, Youth Guarantee) **should not be diverted**, as the social needs identified still persist.

SSE would like to **explore with you and colleagues of the relevant units in your services the potential of the above-mentioned EU funds to financially support investments** in energy efficient buildings, in energy resource management capabilities of the sector or in transportation in regard to social service provision in alignment with the Transition Pathway for the Proximity and Social Economy Ecosystems[8].

Yours sincerely,

Mathieu de Poorter
President SSE

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[1] EASPD in early November issued the Report Initial Snapshot Report: The impact of the rising cost of living on service providers in the disability sector. The Social Employers already in October had published the Briefing Note "Energy crisis: from emergency measures to more sustainable social services", also containing a collection of good practice and solutions to address increased energy costs. Mid December Caritas Europa and Eurodiaconia issued the results of their joint survey, see press release "Stark warning on Europe's cost of living crisis" (Caritas Europa) and "Stark warning on Europe's cost of living crisis" (Eurodiaconia), with a link presenting the answers to the questions of the survey. They report a 40% increase in people seeking support from their members' social services. They call on the EU and European governments to take further action to support vulnerable households and to invest in not-for-profit social service providers, bridging the gap between government support and the true cost of living for people experiencing poverty.

[2] The Red Cross EU Office plans to publish results of a survey, conclusions and policy recommendations in January 2023.

[3] The EASPD Report Initial Snapshot Report: The impact of the rising cost of living on service providers in the disability sector explains the factors contributing to increased cost of living prices: "The COVID-19 crisis has led to significant disruption of supply chains and a general rise in prices, particularly in the energy and food sectors. (…) The pandemic has exacerbated the situation for social services, already affected by structural weaknesses, increasing the pressure on service providers, including through increased demand, staff shortages, and funding problems. (…) Service providers have had to adapt their services within a very short timeframe, while facing a lack of preparedness, insufficient equipment, and a lack of access to immediate funding. (…) With the consequences of post-pandemic inflation still being felt and the resilience of the global economy, as well as of social services, still largely impaired, the war on Ukraine is accompanied by a further surge in commodity prices, including oil, energy, and food." (p. 5)

[4] The German welfare organisation "Deutscher Paritätischer Wohlfahrtsverband" on 21 October 2022 issued a press release – *„Umfrage in sozialen Einrichtungen zu steigenden Energiekosten: 90% der Einrichtungen und Dienste sind gefährdet!"* – based on a survey with members for which they got 1,300 replies from local social services and institutions. It highlights that the large majority of social institutions/services (90%) indicates the risk that they would need to heavily reduce their service offer within the next 12 months if they don't receive additional financial support to pay for heavily increased energy costs. It warns that nearly half of the respondents (46%) indicated that in this case they would need to close down at the latest in autumn 2023. This situation is influenced by German tax legislation and other rules providing fiscal advantages to organisations operating in the public interest. As a corollary, they also set rather strict limits when it comes to the financial reserves which organisations from the social economy, including not-for-profit social service providers, are allowed to build up.

[5] The EASPD Report (cf. p. 7) contains illustrations for the impacts of the increased energy prices and the cost-of-living crisis on vulnerable social service users, highlighting types of expenditure to be borne by people with disabilities due to their mobility or living situation as well as impacts on their entitlements to social benefits.

[6] The need for the emergency measures is linked to the non-distribution constraint of non-profit social services organisations that enable them to provide services of general interest but limit their capacities to sufficiently build up financial reserves.

[7] Such as the provision of care, support and guidance services, social inclusion, the promotion of equality, non-discrimination, improved well-being and independent choice and, ultimately, the support for the full enjoyment of social and human rights of their users.

[8] In the action area 5 "green transition", the Transition Pathway for the Proximity and Social Economy Ecosystems focuses on policies and measures to support of the greening of infrastructures and business operations in the social economy.