THE EU'S ROLE IN ATTACKING HEALTHCARE

The COVID-19 pandemic has shown the EU's healthcare and public sectors to be ill-equipped to respond to the outbreak in accordance with international best practice. A decade of austerity imposed by the European Union institutions and EU Member State governments has caused significant deterioration in healthcare services across the EU. The Stability and Growth Pact has been the central tool used to enforce austerity across the EU since the 2008 financial crisis. Member States' spending on healthcare provision has been targeted for reduction by the Commission every year since the crisis.

STABILITY AND GROWTH PACT

The Stability and Growth Pact (SGP) is a set of rules adopted by European Union (EU) and its Member States in 1997. It has proven to be one of the most controversial features of the Economic and Monetary Union and the broader EU.

The Pact sets two thresholds for government expenditure, known as the 'fiscal rules':

> the government debt-to-GDP ratio must be below 60 per cent; and

> Member States' annual deficit must be limited to 3 per cent of GDP or less.

The European Commission's power to surveil and control the national budgets of EU Member States was significantly strengthened in 2011 and 2013 by the adoption of the sets of legislation dubbed the Six-Pack and the Two-Pack.

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EUROPEAN SEMESTER

A major feature of the 2011 reforms was the creation of the European Semester, an annual programme of cross-EU economic policy coordination. It aims to make the national budgets of Member States subject to the scrutiny, alteration and approval of the Commission and the Council before the final budget plan is finally put to a vote in the national parliament.

The European Semester incorporates the requirements of the fiscal rules. It can be used to identify macroeconomic imbalances, usually focusing on areas on which the Commission believes the national government is spending too much of its budget. It also includes the general commitment to structural reforms adopted by all EU Member States under the Europe 2020 strategy.

In response to the draft budgetary plans submitted by Member States, the Commission produces 'country-specific recommendations' for individual states.

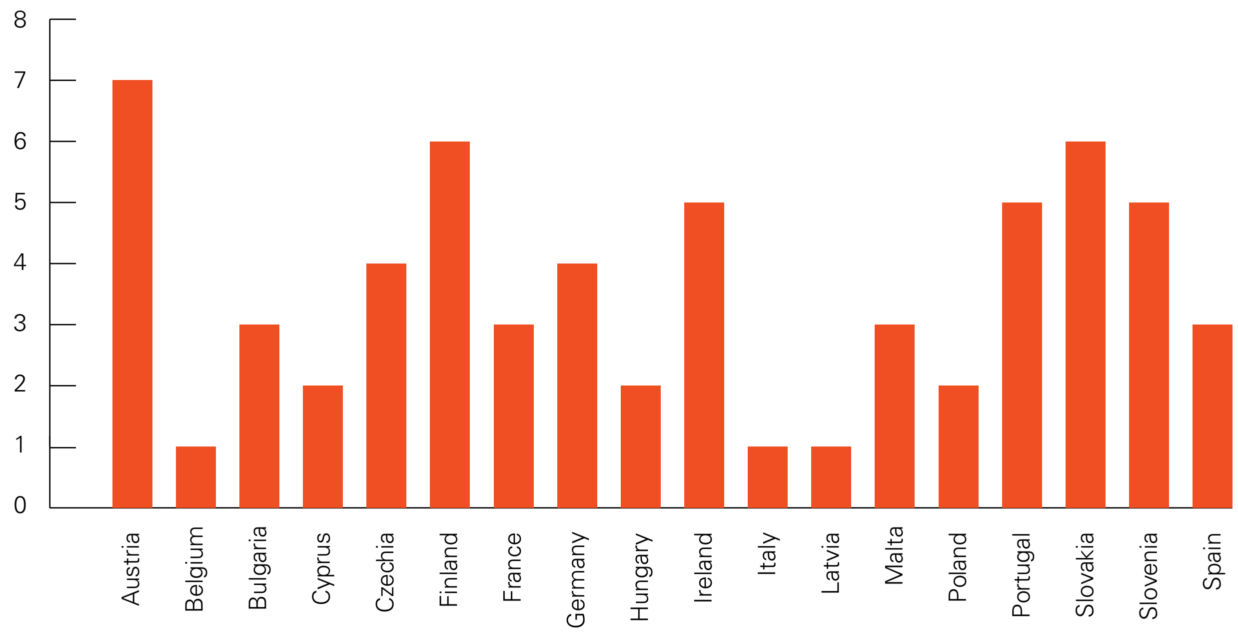
If Member States do not comply with the EU's instructions, they can be fined up to 2 per cent of their GDP.

HEALTHCARE TARGETED

An analysis of all the 'country-specific recommendations' issued by the Commission between 2011 and 2018 finds that governments were ordered to either cut spending on healthcare or outsource or privatise health services on 63 occasions. (As Greece has been under a separate austerity regime, it is not included in this figure.)

The 63 instructions counted comprise annual orders issued to Austria (7 orders), Belgium (1), Bulgaria (3), Cyprus (2), Czechia (4), Finland (6), France (3), Germany (4), Hungary (2), Ireland (5), Italy (1), Latvia (1), Malta (3), Poland (2), Portugal (5), Slovakia (6), Slovenia (5) and Spain (3).

INSTRUCTIONS TO CUT HEALTHCARE SPENDING



Note that: Greece has been excluded from these figures because it has been under a separate austerity programme; and for the Member States most affected by the sovereign debt crisis (Greece, Portugal, Cyprus, Ireland, Spain and Italy), these demands have been accompanied by annual blanket orders to cut public funds across the board in all areas of government spending.

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STIFLING GROWTH, FUELLING INEQUALITY

There was, and remains, no convincing economic rationale behind either the 60 per cent debt ceiling or the 3 per cent deficit limit. Most economists agree that the SGP has failed to ensure either economic stability or growth in the EU since its introduction in 1997.

It has clearly acted to stifle growth and has deepened and prolonged the double-dip recessions in the EU. The strict fiscal rules have acted as a direct barrier to the recovery of economic growth to pre-crisis levels and contribute to the ongoing sluggish growth in the EU.

However, the SGP has not only acted as a brake on growth. Fiscal policy is one of the key ways a state can redistribute wealth and contain or reduce income and wealth inequality. However, the constraints imposed by the SGP have directly curtailed EU Member States' ability to redistribute wealth.

The social transfers made through government expenditure are vital for redistributing wealth and preventing a rise in inequality. Access to free or affordable high-quality public services also plays a crucial role in addressing existing inequalities.

MORE WEALTH FOR THE 1%

The specific policy measures demanded by the Commission under the European Semester focus on limiting wage growth (particularly in the eastern Member States), increasing the threshold age for pensions, privatising state-owned enterprises, promoting longer working hours, reducing job security and cutting funds to social services.

In addition to the instructions geared towards cutting expenditure on healthcare provision, analysis of the country-specific recommendations issued between 2011 and 2018 reveals the following:

Between the European Semester's introduction in 2011 and 2018, the Commission made 105 separate demands for individual Member States to raise the statutory retirement age and/or reduce public spending on pensions and elderly care.

Demands aimed at suppressing wage growth were put to Member States on 50 occasions.

Instructions aimed at reducing job security, eroding employment protections against dismissal and diminishing the collective-bargaining rights of workers and trade unions were made 38 times.

The Commission also made 45 specific demands aimed at reducing or removing benefits for unemployed people, vulnerable people and people with disabilities.

The fiscal rules have been the central tool used to fuel inequality in the EU by transferring even more wealth into the hands of richest minority.

Emerging from the COVID-19 pandemic, and faced with the challenge of climate change, we need to radically transform our economies and societies. Such a transformation requires a major, coordinated and sustained public investment effort. The fiscal rules and the European Semester process that enforces them must be dismantled in order to meet these challenges.

EUROPEAN SEMESTER PROCESS, 2011-2018

YEAR	1/ PENSIONS	2/ HEALTH	3/ WAGES	4/ JOB SECURITY	5/ WELFARE
2011	14	2	7	5	8
2012	13	3	6	7	10
2013	15	10	6	9	6
2014	17	16	13	10	9
2015	13	9	8	3	3
2016	10	8	4	2	3
2017	10	5	4	2	3
2018	13	10	2	0	3
TOTAL	**105**	**63**	**50**	**38**	**45**

For the sake of accuracy, the titles in the top row refer to:

1/ Higher pension age/cuts to pension funding

2/ Cuts to healthcare spending/privatisation of healthcare

3/ Suppression of wage growth

4/ Reduction of job security/erosion of workers' bargaining rights

5/ Reduction of support for unemployed people, vulnerable people or people with disabilities

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