

Inputs on the Financial Crisis and its effects on social services for people with disabilities in Europe

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Since the effects of the economic and financial crisis have started to hit European countries in autumn 2008, a number of consequences have been felt by people with disabilities and the sector of social service providers across Europe. They can be categorized in five main typologies:

1. Decrease of employment opportunities for people with disabilities, both in sheltered workshops and especially in the open labour markets;
2. Staff reductions in social service centers providing care for people with disabilities;
3. Decrease in budgets available for social services, both in terms of subsidies granted by authorities and in terms of grants/ loans made available by private financial institutions such as Foundations: less funds are available but they need to go further, to support increasing number of people;
4. Unavailability of loans from banks for service providers to be able to carry out renovation plans or build new infrastructure;
5. A freeze of modernization programmes of social services and social protection systems, mainly in new Member States.

A number of concrete examples from sector leaders and EASPD member organisations, both governmental and non-governmental and from several countries are given below, to illustrate how the crisis is affecting their services and their service users:

Austria:

- The effects of the crisis in the sector of services for people with disabilities so far are felt mainly by sheltered workshops that are losing lots of contracts with the industry. In social enterprises employing about 80% staff with disabilities, contracts were lost all over Austria for about 40% in some areas of production. One of the ways to cope with the economic situation seems to be to have more unemployed people with disabilities; however it is still too early to give exact figures.
- In the field of supported employment, agencies from all Austrian regions are not able to fulfill their rates (i.e. 30% of people with disabilities using these agencies should find a job within one year). For one organisation in Styria, for example, this means that out of 700 people with a disability supported by its supported employment agencies, it is estimated that a maximum of 50 people will find a job (instead of 220 people in the last years). Now it is nearly impossible even to find places for unpaid internships at no costs for the enterprises. Competition on the labour market is growing. Unemployment is growing also among persons without disabilities and especially people working for temporary employment agencies lost their jobs immediately. For the first time since 1990, when this organisation begun offering supported employment services, they have waiting lists.
- In Austria, the cuts in the social budgets have not yet been decided but are under discussion for 2011. In Styria, discussions are taking place to approve the 2011 budget that will decrease all budget lines including social funding.
- In Austria service providers also have to build houses needed for services, at their own risk. At this stage it is unclear to which extent it will be possible to start new services for which houses are being built now.

- What has become clear however is that the sector of social services is booming: in the region of Styria only, for example, 2,000 new jobs have been created during the past year.

Belgium/ Flanders:

- The effects of the financial crisis on the budgets are not yet visible in Flanders. However, there are fears for the 2010 budgets that will be approved later in the year. A negative effect on the growth of the sector is also expected. It will depend on the evolution of the coming months and the priorities policy makers will set.
- Sheltered workshops are in a deep crisis due to a dramatic decrease in orders. Up to 20 to 25% of people with disabilities working there are “temporarily unemployed”, and if the economy doesn’t pick up soon they might become officially unemployed.

Former Yugoslav Republic of Macedonia (FYROM):

- The economic and financial crisis affects negatively the sector for social care in general, especially the service provision for persons with disability in the Former Yugoslav Republic of Macedonia as well.
- In the past 2 years, the Ministry of Labor and Social policy has covered 50% of real costs for social service providers so as to keep them operational, while the support from the Ministry has been postponed for this year. As a result, the NGO sector must find alternative sources of funding in order to keep existing services open. Unfortunately, this means that it is not possible to develop new services, to modernize the service programmes or the network of services in the country.
- Moreover, all new initiatives are turned down with the explanation that there is “no fiscal implication in the budget” for social services.

Estonia:

- Modernisation plans for social services and the social protection scheme in the country had been identified as urgent and consequently agreed upon and developed by authorities and other stakeholders. As a consequence of the crisis, however, they have been put on hold.

France:

- The crisis is going to have a rather big impact on local authorities, as their main sources of income such as taxes are going to be cut while at the same time their expenditures will increase because of increased levels of poverty and unemployment. This will consequently have a negative impact on services as these are financed by local authorities, and have already been told that the money they’ll receive will be considerably reduced.
- Sheltered workshops, which are employers of people with disabilities, usually work as subcontractors with the airplane and automobile industries. Both of these industries have been suffering a lot because of the economic downturn, which means that there is a major decrease in contracts that sheltered workshops receive.
- There is a lot of uncertainty concerning the resources that will be allocated to the social sector in general as it is not a priority from the point of view of the economy. A decrease in financial support can have very negative consequences on service providers for people with disabilities, however right now there is not enough evidence of the negative impact on service users. For the time being, the national Government has not yet communicated any potential budget cuts.

Germany:

- Heavy losses were registered in some sheltered workshops very active in the business-to-business sector, mainly those co-operating with the automotive industry. These workshops are now trying to find other ways to organise work for workshop employees. In any case, rehabilitation places are secured through state subsidies, so workshop employees will continue to work in sheltered workshops. But it is a fact that really nobody knows how long social security systems might work as they have to. More concrete data isn't available for the moment; more information will be available by the end of the year.

Ireland:

- Voluntary disability organisations have been hit hard in Budget 2009 and this has worsened as the year has progressed. Since the latter part of 2008 a 3% cut has been imposed on disability organisations. The operational body of the Department of Health and Children has requested that this not affect service provision. This is difficult and service providers have tried where possible to cut down on administrative and general overhead costs, as well as staff wages. At the same time, services have been affected where a staff member has resigned or gone on maternity leave and has not been replaced. Ireland is now expecting more bad news for the disability sector, and although not confirmed, further cuts of up to 3% might be imposed on voluntary disability organisations before the summer, with a further 4% cut later in the year. It is hard to imagine how these cuts will be implemented without affecting direct services and there is every expectation that this will devastate the services with substantial service cutbacks and staff layoffs inevitable.
- Another issue facing service providers in Ireland is the decline in fundraised income. Traditionally in Ireland, many voluntary disability organisations have had to fundraise all or part of their income. We have always been critical of this situation on the basis that it is risky to depend on fundraised income in the provision of core services such as family support or personal assistance to wheel chair users. In the current climate, it is now increasingly difficult to generate sufficient funding as people do not have as much money to donate to charity. This has put service users at risk. This situation has been exacerbated by the fact that many voluntary disability organisations have been running at a core deficit. In other words, funding they were allocated by the Health Services Executive did not keep pace with rising costs of inflation and service provision. While €5 million was allocated to address this problem through the budget in 2007, this money was subsequently redirected elsewhere in the health services to address the HSE's own funding shortfalls.
- In February the Minister for Education announced that 128 teaching posts for special education classes are to be cut. This will affect in the region of 534 children with mild general learning disabilities.
- Many providers are struggling to keep their services up and running, and some of them have had to reduce the amounts of services that they can give, e.g. by shutting down their premises during the week-end.
- Another issue is that several services might not be in a situation to continue their operations, and will have to be shut down completely, while services that will continue will probably have to compromise on the quality of their work, simply because of the unavailability of the necessary funds.
- In recent weeks, national disability organisations have had some success in containing cuts that were foreseen and in a recent announcement the Government mentioned that the disability sector is a priority and therefore all efforts would be made to preserve it from further reductions this year.

Italy:

- The sector of social services is organised in a complex way in Italy, and service structures vary from region to region, which makes collecting detailed information difficult. However, we can report that in the Lazio Region, authorities have cut funding to services by 8%. Public funding has been decreased in other regions, too.

The Netherlands:

- The Dutch network of social service employers have suggested a number of positive schemes to counterbalance the effects of the economic downturn, centred on investment in the workforce and in the infrastructure of services:
 - Re-training schemes for people from other sectors: the scheme should benefit about 5,000 people, 80% of whom will fill position in service users related positions in social services.
- Building infrastructure, prioritising most urgent needs. Other areas that have been identified for investment are the improvement of safety levels in social and health services, and long term planning.

Romania

- The first consequence of the crisis in Romania is that the level of unemployment has risen considerably, which makes it even more difficult now for people with disabilities to enter the job market. They can find work at times when there is a lack of manpower, but when a lot of manpower is available, they are the first to be excluded from employment.
- Regarding service providers, they have been informed by the local authorities that public funding for the services will be considerably reduced (the talks are of reductions of up to 60%). The negative consequences can be easily imagined.

Portugal:

- In Portugal, new projects in the field of special needs education coordinated by NGOs will only receive about 10% of the needed budget from authorities.
- Furthermore, allocations from the Ministry of Education to support children with special needs have been dramatically decreased even though the number of pupils to support is now more than tenfold.
- Vocational training programmes for people with intellectual disabilities were supported during 4 years; in 2008 the programmes were cut by a half. What in the past was developed in 4 years will have to be done in two years going forward.

Norway:

- As of now, neither service providers nor foundations or voluntary organisations in Norway have felt the negative effects of the financial crisis. To a certain extent, the opposite is the case, as part of the government's anti-recession policy is to increase the budgets in the public sector. Service providers however, do spend their money cautiously, as they are not yet certain that they have seen the bottom of the dip.

UK:

- There are two related aspects of the issue that need to be analysed:
 - Shortfalls that are directly related to cuts arising from the credit crisis;
 - Shortfalls that were happening or going to happen anyway and that the crisis has worsened;

In the UK so far there have been few formal cuts in services because of the direct effects of the crisis, however there are lots of cuts happening under 2) above, and that are being carried through because of the crisis which provides a good justification and not because they really need to be cut.

UK/Wales:

- The crisis will not remain remote. Service providers and NGOs were already being warned last autumn that the Welsh Government's expenditure over the next 5 years will rise very little after several years of above inflation growth. Since then the UK Government has committed billions of pounds to supporting the banks and stimulating the economy. In 2, 3 years time public expenditure will have to be looked at very critically by the UK Government, and the block grant to the Welsh Government will probably have to take its share of real cuts. This will have a cascade effect down to local authorities, who pay for, and commission most services for disabled people.
- A second point is that with stock markets crashing charitable trusts and funds have seen their income from investments fall very substantially. This means their funding of NGOs will probably fall in value. In Wales a lot of the more creative and innovative services to disabled people are funded by these sources.

A word of warning: most budgets are agreed at the end of the year so though service providers can comment on the current situation they cannot yet know how the budgets for 2010 and beyond will be impacted. More information will be available at the end of the year, though a lot of worry can already be felt.

Further information:

A research conducted by the European Social Network amongst their member organisations in 18 European countries as well as a press review confirm that the recession has a negative effect on expenditures of local Governments, in two ways: falling tax receipts on the one hand, and increased demand for services and benefits on the other hand. More people claim benefits than before the crisis, and increased numbers have become eligible for free or reduced-cost access to services.

What we suggest:

EASPD is worried about the effects of the crisis on the most vulnerable people in society, who are always the last to partake in the riches, and the first ones to suffer when things go wrong. Furthermore, in a number of countries services are underfinanced even in normal circumstances, so a further negative impact because of the crisis should be prevented.

Our suggestions to avoid negative impacts on social and health care services and the people they support are as follows:

1. Promotion, by Member States, of investments in the infrastructure of health and social services: this type of investment, with a high return, would help countries to better prepare for increased future needs and to modernise their service offers and would also stimulate job creation, not only in the social care sector but also in other industries, e.g. the construction

sector. Commitment, by the European Commission, to cover the interests on loans made available by National authorities as an incentive to mobilise available resources, for example through structural funds.

2. Investment in the workforce and prioritisation of job creation in social services: working on increasing the attractiveness of careers in this field, by investing in training schemes that would also promote staff retainability. Also this investment in human resources has a very high return, especially at a time when employment in the services sector can be expected to boom because of increasing needs. Public services play a key role in shaping a better tomorrow. Human resources must be harnessed to help vulnerable people. There is a lot of potential in training second career people as social workers and giving them a new and rewarding career where they can combine their skills and commitment with real life experience, as a viable solution to the staffing paradox: rising unemployment rates in all EU Member States, and vacancies in social services that are not being filled. The European Commission could facilitate the implementation of re-training programmes to secure skilled workforce for social services, for example through the European Social Fund
3. Since the highest proportion of costs incurred into by services are staff costs, it is necessary to use staff resources better and increase productivity. ICT could play a key role in this respect, while also empowering people with disabilities and enabling them to lead more independent lives.
4. Propose flexible employment schemes addressing the specific needs of people with disabilities and other disadvantaged groups, to help them enter and remain in the job market, even in times of crisis, and also facilitate supported employment schemes. More people moving into the workplace would result in an increase in net contributions to the Treasury through income tax, and would likewise decrease the expenditure related to out of work benefits.
5. From a service provider perspective, we suggest promoting the notion that the current situation can be used as an opportunity to change from traditional services models to more innovative alternatives. Carrying out a comprehensive review of all available systems in the EU and beyond as a stock taking exercise could be the ideal starting point to explore opportunities. All this should be done by keeping the needs and experiences of service users at the forefront, and by considering options including service user groups, staff, partner agencies and councillors.
6. Build innovation: innovative services and solutions will facilitate reshaping policies and services to deliver better quality services at lower costs, built around client needs. In many countries innovation is understood only as technical and industrial innovation. That understanding must change: social innovation is as important as technical innovation and the funding systems of the national innovation schemes must be open for social services, too.

Luk Zelderloo
Secretary General

Dr Fabrizio Fea
Vice President

Miriana Giraldi
Policy Officer



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