Social governance in the European Union

Governing complex systems
This publication aims to provide an overview of the social aspects of EU governance. While economic governance has a regulated, 'hard' framework, there is no such framework for social governance. Social governance functions mainly within the 'soft', unregulated realms but it is also marked by some 'hard' governance mechanisms. This publication presents an overview of existing EU social governance mechanisms and tools, including their current state of play, the debates that surround them and possible avenues for their further development.

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EXECUTIVE SUMMARY

Governance is often defined in contrast to government: government is about hierarchy and bureaucracy, and governance about decentralised markets and networks. Social governance is defined as a process of governing societies in a situation where no single actor can claim absolute dominance. In the European Union it is referred to mainly in relation to social policies and objectives, and increasingly with the idea of putting economic and social objectives on an equal footing. There is no European comprehensive, regulated, governance framework to compare with what exists for economic governance. Several 'soft' social governance tools are available, however, while economic governance influences and impacts the social realm.

The two main challenges that are currently said to be facing social governance mechanisms at European level are those of finding social adjustment mechanisms in those policy areas where the EU already has the legitimacy to act, while at the same time preparing sustainable and legitimate future directions for social policy. Addressing the increasingly complex fields of globalised economies and societies and their interactions requires new governance frameworks that combine an analysis of economic and social systems on an equal footing.

The existing tools of social governance in the EU are all under pressure to contribute to these developments. These are: the social open method of coordination (OMC), the impact assessment of policies and programmes, the renewed social dialogue, the European Semester with more focus on social and employment issues, and the European funds designed to support Member States in achieving upward economic and social convergence.

The OMC, which can help Member States to achieve commonly agreed objectives as a result of a mutual learning process, is assessed as a powerful tool by some, but not by others. Impact assessment of future legislative – or sometimes non-legislative – measures, with an increasing focus on social impact and on future reforms is considered a powerful tool for developing a more comprehensive governance framework within the EU. The renewed social dialogue directs attention to the importance of social partner participation in policy processes at European level but also in national contexts, particularly for finding tailor-made solutions for challenges and implementing them. The European Semester, which has gone through several changes since its advent, is becoming less hierarchical and more interactive, with country specific recommendations that are less uniform and less prescriptive and that include more analysis of social and employment issues. Finally, the European structural and investment funds, that were originally created so as to bring about more economic, social and territorial cohesion across the EU, have been linked increasingly to economic governance, and macroeconomic conditionality. This 'policy overload' has raised questions as to whether the funds still serve their original function, and, if not, how this could be corrected. In addition, there is also the issue of how these funds can co-exist with the relatively new European Fund for Strategic Investment, so that they all support investment in human capital in the most efficient way.
1. Introduction

Deepening economic and monetary union (EMU) and strengthening its social dimension are among the priorities of the current Commission. The Five Presidents' Report (22 June 2015) called for reformed labour markets, for access to adequate education for all and for effective social protection systems that also take care of the most vulnerable. It declared as Europe's ambition to earn a 'Social Triple A', as a tool to contribute to fair and balanced growth, decent jobs and labour protection. It also acknowledged that there is no 'one-size-fits-all' template to follow but that there are often similar challenges across the Member States in terms of employment situations, working conditions, social protection, the situation of older people and education. These considerations, linked to structural reforms encouraging growth and competitiveness while promoting quality social standards across the Member States for all, have come into sharper focus in EU-level policy discussions in the aftermath of the financial crisis and also feature highly in discussions on the future of the EU.

Given the limited competence of the EU in social policy1 and thus the complexity of actors and mechanism involved, this analysis should support discussions on EU governance, with particular focus on social issues.

1.1. What is social governance?

There is no universal definition for the concept of governance. Scholars often define governance in contrast to government: government is about hierarchy and bureaucracy and governance is about decentralised markets and networks. European governance research distinguishes many but, in particular, four main types of governance: multilevel (referring to EU, national and subnational level), network (both horizontal and vertical), regulatory (centralised administration by regulation) and experimentalist (involving goal-setting and revision based on learning from the comparison of alternative approaches to advancing in different contexts).

For this analysis social governance is defined as the process of governing societies in a situation where no single actor can claim absolute dominance. As an abstract theoretical concept, it refers to all processes of social organisation and social coordination. It includes the various interaction and decision-making processes among the actors involved in solving a collective problem. These processes include the ways (i.e. mechanisms, processes and relations) by which stable practices and organisations arise and persist. Many recent publications emphasise the challenge inherent in the fact that political and personal beliefs, combined with the complexity of the system and the volume of policy-relevant information, are the main forces that often push policy making away from a rational and structured ideal. Others stress that good governance is not about making the correct decisions as such but more about the quality of the coordination and decision-making processes related to the problem. They point to the most important qualities of good governance, such as being transparent, participatory, inclusive, effective, legitimate, accountable, etc.

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1 This will be explained further in Chapter 2.
In these studies the subject of social governance is strongly linked to discussions on the welfare state. They explain that currently European welfare states face problems that cross individual welfare policy sectors. Some of these are related to ageing societies, youth inclusion, youth unemployment, sustainable lifestyles, refugees, etc. Addressing these issues requires revision of the governance of the welfare state beyond any individual sector of welfare policy. Welfare states also face serious governance problems that are independent of the policy sector involved. While previously governance mechanisms were considered to have a secondary role, ‘as a means to implement policy’, currently there seems to be a necessity to rethink them. How welfare states operate is therefore a priority issue. In this context there is also a moving away from the traditional categories of welfare state models, such as the social-democratic (Scandinavian) model, the corporatist (Continental) model and the liberal (Anglo-Saxon) model, which can nowadays be complemented by a Mediterranean model (paths followed by Spain, Italy and Greece) and an East European model (post-socialist countries) as often there are big differences between countries within one regime and at the same time a convergence of policy areas across regimes. These are for example, social investment, pre-distributive policies, and personalisation of policies.

In this context the challenges for social policy within the EU are twofold: strengthening social adjustment functions in those policy mechanisms and policy areas where the EU already has legitimacy of action, while simultaneously preparing definitions of sustainable and legitimate long-term directions for social policy in the EU. Several initiatives already exist in Europe and globally with the intention of creating more integrated governance frameworks that can address complex challenges of both an economic and a social nature. The ‘new approaches to economic challenges’ (NAEC) initiative of the Organisation for Economic Cooperation and Development (OECD), for example, by upgrading the organisation's analytical frameworks and strengthening its policy advice, intends to analyse the interactions between economic and social systems on an equal footing. As part of the project the OECD has developed the concept of inclusive growth with a 'multidimensional living standards' measurement tracking to what extent growth contributes to the well-being of the individual, as well as a governance framework.

2. Social governance tools in the EU

There is no social governance framework as such in the EU but there are several mechanisms through which social governance is practiced. Two types of governance mechanisms exist: hard and soft. Hard governance functions through regulations and soft through the soft 'acquis', harmonised mainly through the open method of coordination (OMC) with benchmarks, targets, and non-binding regulations. The challenge with social governance is that it happens mainly within the soft governance realms but it is also affected by some of the hard governance mechanisms.

In terms of its legal base, social policy within the EU has been developing since the Treaty of Rome, which made provisions for the establishment of the European Social Fund (ESF)

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and the coordination of national social security systems to enable free movement. In the beginning, a set of legislative initiatives for selected employment rights were introduced. In 1986, the Single European Act established a Community policy of economic and social cohesion to counterbalance the effects of the completion of the internal market on the less developed Member States and to reduce discrepancies in development between the regions. These were then followed by a non-binding Community Charter of Fundamental Social Rights of Workers in 1989. In 2009, social and labour rights became legally binding through the Charter of Fundamental Rights of the European Union (CFREU). Major milestones in the development of European social policy have included: the social protocol of the Maastricht Treaty, expanding areas of EU action in 1992; the Amsterdam Treaty in 1997, incorporating the Agreement on Social Policy into the text of the Treaty on European Union (TEU), as well as supporting high levels of employment through the European Employment Strategy; and the 2001 Treaty of Nice, which set up the Social Protection Committee (SPC) to monitor the development of social conditions in the Member States and to cooperate on policies. Since the late 1990s, Member States have been using the OMC for non-binding coordination of their national policies. Finally, Article 3(3) of the TEU included the concept of achieving a highly competitive social market economy. The horizontal social clause (Article 9 of the Treaty on the Functioning of the European Union (TFEU)) placed balanced economic growth and sustainable development on an equal footing with full employment, a high level of social protection, equality, promotion of social justice, and respect for diversity. It basically called for better social mainstreaming of all policies:

In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health. (Article 9 TFEU)

The main fields relevant for social policy covered by EU directives are: the information and consultation of employees; restructuring; health and safety (including working time); equal opportunities; the integration of vulnerable groups into the labour market; posted workers; the social security regulation; European Works Councils for large European companies; the directives on part-time and fixed-time contracts; and the directives on temporary agency work and on protection of workers in the event of insolvency of employers. It is important to mention that, following a rather active period from about 1991 up to 2004, there has been a period of stagnation (up until the 2008 crisis and beyond), during which no major social directives have been ratified.

The latest framework for social governance in the EU was set out in the Five Presidents' Report on completing EMU, which envisaged three stages: 'deepening by doing' (1 July 2015 to 30 June 2017), 'completing EMU', and the final stage, when the deep and genuine EMU would be fully operational, at the latest by 2025.

With the implementation of the priorities of this report, the Europe 2020 strategy has been losing ground and the main emphasis has shifted to the political guidelines of the Juncker Commission. In this context the main focus in the social field has been on achieving the 'Social Triple A' across the EU. For the first phase, the Commission already envisaged a move towards 'an economic union of convergence, growth and jobs' that was to rest on four pillars with focus on the euro area: the creation of a euro area system

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6 With the exception of the directives on seafarers and on workers in cross-border railways of 2005. The directive on work-related musculoskeletal disorders was stalled.
of competitiveness authorities; strengthened implementation of the macroeconomic imbalance procedure (MIP); a greater focus on employment and social performance; and stronger coordination of economic policies within a revamped European Semester. All were to be implemented through the Community method. When it comes to strengthening the social and employment aspects of EMU, which was described as a necessity, the Commission drew attention mainly to labour markets and welfare systems. It particularly emphasised that 'there is no 'one-size-fits-all' template to follow' and that although systems in the Member States were diverse there should be an emphasis on getting more people of all ages into work; promoting flexicurity at work; securing the same protection for both 'insiders' and 'outsiders' in the labour market; shifting taxes away from labour; delivering tailored support for the unemployed to re-enter the labour market; and improving education and lifelong learning. It also called for deeper integration of national labour markets by facilitating geographic and professional mobility, improving coordination of social security systems, and further promoting systems for better recognition of qualifications.

For the second stage the document envisaged mechanisms that were more binding and that would be based on 'a set of common high level standards' that would lead to 'harmonisation' in some areas' and individual solutions in others.

As social governance takes shape mainly in 'soft mechanisms', the following chapters will be focusing mainly on these.

2.1. **Soft governance tools**

2.1.1. **Open method of coordination**

The OMC originates from the 1990s when European employment policy gained more importance. The employment title (Title IX) of the TFEU, comprising Articles 145-150 TFEU, committed Member States and the Union to work towards 'developing a coordinated strategy for employment and particularly for promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change' with a view to achieving the objectives defined in Article 3 of the TEU. Further, Article 9 TFEU stated that EU policies and practices should take into account the promotion of a high level of employment. The tool used to achieve these objectives has been the European employment strategy (EES). The employment title of the TFEU (specifically Article 148) set out the specific process, called the OMC, for implementing the EES. The OMC found its expression in the employment guidelines. In 2005 they were integrated into the broad economic policy guidelines and then, in 2015, into the integrated guidelines.

The OMC is an intergovernmental method through which the EU's Member States are examined by one another (peer pressure). While the Commission's role is limited to sheet surveillance, the European Parliament (Parliament) and the Court of Justice play no, or very little, part in the process. The OMC allows Member States to define common objectives (including with the agreement of the Council), monitor progress towards those objectives, generally through commonly designed benchmarks and targets. It also very often works through the method of peer-learning, peer-counselling' and the

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7 Peer learning at EU level is a method of observing both positive and negative examples of policy reforms adopted in other countries in order to draw lessons from them. Its strength lies in the contextualisation of policies, the broadness and flexibility of discussion themes, the qualitative nature of information, and low levels of politicisation, based on mutual trust between the Member States. Peer counselling is an instrument that brings together professional peers from a small number of
identification of good practices. It aims to achieve more convergence towards the main EU goals. It functions in stages: first the Council agrees on policy goals, second these are translated by Member States into national and regional policies, and finally specific benchmarks and indicators are agreed upon to monitor progress towards the goals defined by the ministers.

Whereas with this mechanism the competence remains with the Member States, there are links between the employment title, Community policy and labour regulation. For example, Article 147 TFEU includes an explicit provision according to which 'the objective of a high level of employment shall be taken into consideration in the formulation and implementation of Community policies and activities'. Further, in framework agreements reached in the EU social dialogue and transformed into Union directives, the social partners have explicitly regarded their agreement as for example, 'a contribution to the overall European strategy on employment'.

Parliament has only a very limited role within the OMC, mostly constituting giving advice, and has therefore repeatedly expressed its concerns in relation to soft law in general as it can have a detrimental effect on Community legislation and institutional balance. It has called the OMC 'legally dubious as it operates without sufficient parliamentary participation and judicial review'. Thus, it continued, it should be used only in exceptional cases, and the possible participation of Parliament in the process should be further discussed. In 2010, in relation to economic governance, it clearly called for a move beyond the OMC and for broader use of binding measures.

Despite its origins in employment policy the OMC is also used in other policy areas, such as research, development, education and training, immigration, and social policy. Some critics have pointed out that putting social policy into the EES reduced it to issues of poverty reduction and of having a skilled workforce. They have also emphasised that social and employment ministers are excluded from the final decision making processes concerning important issues of EU (economic) governance. Others have explained the extent to which the OMC has worked as an 'amplifier for reform strategies', a hard policy tool that could lead to 'substantive and procedural effects' at EU and Member State level. Case studies looking into the effects of the social OMC in Belgium and Flanders have shown multiple effects. When looking at changes in regulations the effects were insignificant; when looking into the effects in terms of processes, however, the changes were significant. On the one hand, the OMC had led to procedural changes, including promoting monitoring and evaluation, and related to that, to better quality social statistics; it had strengthened coordination between various actors, between regions as well as at the federal level; it had further strengthened NGO involvement in policy making in Belgium; and it had improved cross-sector coordination and cross-fertilisation. On the other hand, it had also led to a shift in policy priorities, for example, it had raised the profile of social inclusion-related issues, such as poverty. Finally, the study pointed out that the success of OMC did not depend on the original institutional settings and the initial uploading efforts of a given country. The main mechanisms identified through which these results are achieved were 'leverage' (i.e. actors creatively appropriating

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national administrations to provide a country with external advice in the policy development process. It is intended to go beyond information-sharing and provide a forum for finding solutions to national challenges in a participatory workshop (European Commission, information note).
various instruments from the OMC toolbox to legitimise their own preferences), policy learning and external pressure.

2.1.2. Impact assessment

Measuring the social impact of policies and programmes has become an increasingly important element of the policy process at European level. However, there is no real consensus on the definition of the concept and very diverse methodologies and metrics are used. While social scientists look at the impact of policies and programmes, often in terms of social progress, social investors tend to look for the non-financial (i.e. social and environmental) returns on their investments, which they tend to quantify and/or express in monetary terms, if possible. The European Commission and European Parliament have their own mechanisms for impact assessment with which they also assess social impact.

Impact assessment, part of the Commission's better regulation agenda, examines whether there is a need for EU action and analyses the possible impacts of the available solutions before a proposal is put forward. Better regulation is a shared commitment of all three institutions, European Commission, Parliament and Council. They signed a new agreement on 13 April 2016 in which they committed to deliver high-quality Union legislation that is efficient, effective, simple and clear, and that avoids overregulation and administrative burdens for citizens, public authorities and businesses, especially SMEs.

Impact assessment is required in the case of legislative and also non-legislative initiatives and implementing and delegated acts that are likely to have a significant economic, environmental or social impact. The methodology used for making an impact assessment involves a number of steps, as laid out in a 2009 Commission guidance paper. The paper identifies the main areas in which impact assessment is carried out and the issues that need to be addressed, including what evidence and techniques can be used to measure potential impact. It also recommends starting by examining whether there are any systematic impacts on well-defined groups. The guidance paper was revised first in 2015 and then again in 2017. The 2015 guidelines did not introduce many changes, but provided further instructions as to how impact should be assessed and presented. They were accompanied by a toolbox containing 59 tools, coupled with practical advice. Several tools were presented to facilitate the identification of specific social impacts, among other things, on employment and working conditions; income distribution and social inclusion; social protection, education, culture and youth; as well as health and safety. It also put great emphasis on the transparency of the process and broad stakeholder involvement, including SMEs and other end-users. In 2017 although there were no major changes compared with 2015, some new tools relating to the social aspects of impact assessment were further developed. The tools dealing with employment, working conditions, income distribution, social protection and inclusion (tool 29) and with the digital economy and society were strongly revised. Moreover, even more emphasis was placed on the impact on SMEs and there was a call to quantify and monetise the costs and benefits of an initiative wherever possible.

A 2010 paper by the Belgian Presidency pointed out that the impact assessment of proposals with the involvement of broad groups of policy makers and practitioners can contribute to ‘maximising the long-term socio-economic development benefits for civil

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8 This topic will be further discussed in chapter 2.2, on the European Semester.

9 Such as financial programmes and recommendations for negotiations of international agreements.
society' in Member States' communities and regions, and thus to implementing the horizontal social clause.

A 2011 Parliament resolution called for independent impact assessment (both ex ante and ex post) to be guaranteed, and argued for its application throughout the policy cycle, from the design of legislation to its implementation, evaluation and possible revision. The Parliament regularly carries out initial appraisals of the quality and methodological strengths and weaknesses of the impact assessment reports accompanying legislative proposals that the Commission submits. These take into consideration the Commission's own guidelines, as well as other quality criteria, and assist the parliamentary committees in their work. The Parliament's impact assessment handbook sets out the requirements, inter alia, for more detailed consultation with stakeholders before impact assessments are prepared, to offset any lack of methodology or data. It requires a balanced analysis of the impact on the economic, social and environmental pillars and on public health, details of the impact on SMEs and micro-enterprises and regional and local impacts, and as far as possible, qualitative criteria, such as the impact on vulnerable social groups (social benchmarking), and gender equality. The earlier mentioned subsequent revision of the Commission guidelines took many of these issues on board.

2.1.3. Renewed social dialogue

The main aim of social dialogue is to improve European governance through the involvement of European social partners in decision making and in the implementation process. The origins of the social dialogue go back to 1985 when the then Commission President Jacques Delors invited social partners represented by the European Trade Union Confederation (ETUC), the Union of Industries of the European Community (UNICE) and the European Centre of Public Enterprises (CEEP), to join the internal market process. The Single European Act created a legal basis for the development of a 'Community-wide social dialogue'. In October 1991, UNICE, ETUC and CEEP adopted a joint agreement that called for mandatory consultation of the social partners on the preparation of legislation in the area of social affairs and a possibility for the social partners to negotiate framework agreements at Community level. This was then built into the Treaty of Amsterdam, which finally provided for a single framework to apply to social dialogue within the EU.

According to Article 152 of the TFEU 'the Union recognises and promotes the role of the social partners at its level, taking into account the diversity of national systems. It shall facilitate dialogue between the social partners, respecting their autonomy'. Article 154 states that 'before submitting proposals in the social policy field, the Commission shall consult management and labour on the possible direction of Union action'. Article 154 states that 'if, after such consultation, the Commission considers Union action advisable, it shall consult management and labour on the content of the envisaged proposal. Management and labour shall forward to the Commission an opinion or, where appropriate, a recommendation'. And finally, Article 155 provides the procedure for EU-level social partner agreements, stating that 'should management and labour so desire, the dialogue between them at Union level may lead to contractual relations, including agreements'. While the agreement reached needs to be implemented through national procedures and mechanisms in the Member States, Article 155 of the TFEU also allows...
social partners to ask the Commission to take a proposal to the Council, which leads in practice to implementation by Council directive.  

The social dialogue mechanism suffered a set-back during the economic and financial crisis, leading the new Juncker Commission to relaunch and strengthen it. In June 2016 a joint statement on a 'new start for social dialogue' was signed. In that Valdis Dombrovskis, Vice-President for the Euro and Social Dialogue, and Marianne Thyssen, Commissioner for Employment, Social Affairs, Skills and Labour Mobility agreed with social partners to involve them more in the European Semester and in EU policy and law-making. In addition to the social dialogue the Tripartite Social Summit for Growth and Employment meets at least once a year and enables consultation between the Council, the Commission and the social partners on economic, social and employment affairs.

In Parliament, the Employment and Social Affairs (EMPL) Committee in particular has put a great emphasis on social dialogue and, as a result, frequently invites EU-level social partners to present their views before a report or opinion on any relevant issues is delivered. In several resolutions, Parliament has emphasised the importance of social dialogue particularly in relation to economic governance and the European Semester. Regarding the economic adjustment programmes in the countries most affected by the crisis, a 2014 Parliament resolution on employment and social aspects of the role and operations of the Troika (the European Central Bank, the Commission and the International Monetary Fund) with regard to euro-area-programme countries, stressed that the social partners at national level should be consulted or involved in the initial design of programmes. Moreover, in its resolution on the employment and social aspects of the 2017 European Semester the Parliament once again stressed the importance of social dialogue and called for reinforcement of the role of social partners in the new economic governance process. Finally, in its 2017 resolution on a European pillar of social rights, Parliament called on the Commission to step up concrete support for strengthening and respecting social dialogue at all levels and in all sectors. In addition, both the European Committee of the Regions (CoR) and the European Economic and Social Committee (EESC) have in several opinions emphasised the importance of sound social dialogue and collective bargaining, particularly when it comes to the negotiation of labour reform.

The Commission evaluation on the renewed social dialogue after the first year called for the institutional framework for national social dialogue to be improved and pointed out that bipartite social dialogue, at both EU and national level, was a prerequisite of tripartite consultation involving public authorities.

A 2016 study looking into the mechanisms of social dialogue across the EU found that, owing to new challenges, social partners were taking up new practices in order to address them across several policy fields. The study showed that older and newer Member States differed significantly in terms of the scope of new topics addressed and in their motivation to address them. It identified three groups of countries: those where national social partners mainly addressed issues raised by the EU policy agenda (those who had joined the EU since 2004 and the UK); those that went beyond the 'minimum catalogue' and addressed new groups in the labour market, low wages, skills and social

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10 If the social partners do not manage to reach an agreement, the Commission can launch a normal legislative procedure.
security issues (mainly central, eastern and southern European countries), and a third group with a broader range of new topics (northern and western European countries). The study saw a strong relationship between the social partners' innovative strength and potential and their autonomy.

2.2. European Semester

The European Semester process set up in 2010 enables Member States to coordinate their economic policies throughout the year and address the economic challenges facing the EU. According to its original aims it is supposed to ensure sound public finances (avoiding excessive government debt), prevent excessive macroeconomic imbalances in the EU, support structural reforms to create more jobs and growth, and boost investment. The annual cycle of the European Semester allows Member States to discuss their economic and budgetary plans with their EU partners at specific times in the first part of the year, so that national action could be taken accordingly in the second part of the year, notably with the adoption of the budgets for the subsequent year. The annual cycle starts in November and includes the publication of the annual growth survey (AGS), the alert mechanism report (AMR), the draft joint employment report (JER) and recommendations for the euro area. In addition, in 2016 – for the first time – the Commission also presented a communication on the euro area fiscal stance. While recommendations for the euro area are published in February the following year, individual country reports are prepared by the Commission on the state of play of their economic situation and the progress they have made in relation to their planned reforms. Those countries that run the risk of possible imbalances undergo an in-depth review. In April Member States submit their national reform programmes, and based on their assessments the Commission drafts country specific recommendations (CSRs) for each Member State. These policy recommendations are discussed between Member States in the Council. EU leaders endorse them in June before Council adopts them in July. Governments then incorporate the recommendations into their reform plans and national budgets for the following year. Budgetary monitoring intensifies in the autumn for euro area Member States: they must submit to the Commission their Draft Budgetary Plans for the following year by 15 October. After the Commission's assessment and opinion the budget plans are discussed by the Economic and Financial Affairs (ECOFIN) Council.

The European Parliament monitors the assessment twice: in late autumn, it expresses its opinion on the on-going European Semester cycle, and in February, on the AGS and the AMR. In addition, the Parliament holds several economic dialogues with other EU institutions and representatives of countries subject to CSRs (such as in the annual European Parliamentary Week).

While social issues are not the primary focus of the Semester cycle, they have started to feature more prominently over the years, partly through some modifications to the Semester process and partly through its analyses and recommendations.

As foreseen in the Five President’s Report, the European Commission presented concrete steps to strengthen EMU, including proposals for a revamped European Semester. These revamping measures were to affect the EU-28 as well as the euro area. The document proposed to integrate euro-area aspects and national dimensions more effectively and to address spill-over effects. Accordingly, the euro-area recommendations 2016 were for the first time published at the very beginning of the Semester process in November 2015.
Several steps were taken so as to address the social consequences of economic adjustment more effectively. The new Commission proposal wished to strengthen the role of other institutions, including the European and national parliaments. It suggested involving them more in discussions about the AGS and the CSRs. The new proposal also reinvigorated ‘stronger involvement of social partners’ during the drafting of national reform programmes (NRP) and the development of common benchmarks for upward convergence, e.g. measuring the quality of labour contracts. In its 2015 resolution, the Parliament generally welcomed the Commission proposal but 'regretted' that it did not ensure sufficient parliamentary oversight. Since then it has come forward with new proposals. In its resolution on the 2017 AGS, Parliament urged the Commission to launch negotiations on an interinstitutional agreement on economic governance, stressing that this agreement should, within the framework of the Treaties, ensure that the structure of the Semester allows for meaningful and regular parliamentary scrutiny of the process, in particular as regards the AGS priorities and euro area recommendations. In addition, in its 2017 resolution on the social and employment aspects of the AGS, Parliament called for greater consideration of its views before Council takes decisions, and put the EMPL Committee on an equal footing with the Economic and Monetary Affairs (ECON) Committee when it is called upon to give an opinion at any stage of the Semester. It also reiterated the idea of introducing a social imbalances procedure when designing the CSRs. Endorsed by Parliament, the CoR called for the Semester to have a stronger territorial dimension, both in terms of its analysis and its implementation, as regional authorities are crucial players in policy in these domains of policy making and are closest to the citizens. In this context it suggested adopting a code of conduct, to be developed by all relevant EU institutions. This would give the Semester a more territorial dimension that could then be implemented by the various Member States according to their 'constitutional competences' and the 'sharing of competencies between national and subnational level'.

For better monitoring within the Semester, after the Commission had launched the debate with the 2012 Four Presidents' Report 'Towards a genuine economic and monetary union', in February 2013 the Council agreed on systematically detecting and addressing key employment and social challenges in the EMU. The October 2013 Commission communication 'Strengthening the social dimension of the Economic and Monetary Union' drew the attention of policymakers to the fact that a deterioration in the employment and social conditions in one Member State could hamper economic growth and well-being not only in the country concerned, but throughout the euro area. The Commission therefore proposed a scoreboard of key employment and social indicators to allow for better and earlier identification of major employment and social issues, especially those that ran the risk of generating effects extending beyond national borders. The scoreboard is now fully integrated into the EU economic governance framework and was used for the first time during the 2014 European Semester process. It includes five indicators: the unemployment rate, the youth unemployment and not in education, employment or training (NEET) rate, gross disposable household income, the 'at risk of poverty' rate of the working age population, and inequality in the distribution of income. Partly in response to Parliament’s request, further emphasis was put on social and employment issues in the analysis and the design of the CSRs in 2015. In the same year the Commission also decided to add three indicators relating to labour market
adjustment issues to the MIP scoreboard\textsuperscript{11} headline indicators: activity rate, the long-term unemployment rate and the youth unemployment rate. Parliament urged the Commission to put these indicators on a 'genuinely equal footing with the existing indicators and suggested a possible social imbalances procedure in the design of the CSRs. The ECOFIN Council expressed concerns about the inclusion of the three additional indicators claiming that 'the MIP procedure was established to focus on the identification, prevention and correction of macroeconomic imbalances'. The 2016 AMR as part of the MIP included in its scoreboard three new social and employment-related indicators on activity rate, long-term unemployment and youth unemployment.

In its 2017 resolution on the European Semester and the social and employment aspects of the AGS, Parliament welcomed progress towards achieving more balance between the economic and social dimensions of the Semester but called for more effort so as to 'improve the political visibility and impact of the scoreboard of key employment and social indicators'. It also welcomed the Commission proposal for amending the regulation on the European statistical programme by including new social indicators to present employment and social data in relation to macroeconomic data, and stressed that employment indicators should be put on equal footing with macroeconomic ones, thus allowing them to trigger an in-depth review and corrective action.\textsuperscript{12} This is not the case to date.

For more social fairness, to ensure that the impact of the new macroeconomic adjustment programme is spread out equitably, and to protect the most vulnerable, Parliament also called for social impact assessments to be carried out prior to imposing major reforms in the programme countries and to consider the spill-over effects of these measures. This was followed up in the case of Greece in August 2015 and was supposed to be carried out also in relation to any further structural support reform programmes. In order to avoid conflict between economic and social objectives, an EESC opinion from 2015 suggested that 'all measures suggested in the European Semester – in accordance with the horizontal social clause – must be subject to social impact assessment'. As for more economic convergence, the plan is for the Commission to progressively suggest benchmarks and cross-examination exercises across policy or thematic areas, to foster a common understanding of challenges and policy responses and to increase reform implementation.

Looking at development of the content of the CSRs it has been shown that on account of the more developed monitoring methods an increasing number of CSRs have focused on social and employment issues. These studies explain that although the number of CSRs in general has been reduced over the years, CSRs can target social and employment issues both directly and indirectly. Moreover, the increasing involvement of the Employment Committee (EMCO) and then the SPC and the Directorate-General for Employment and Social Affairs at the European Commission (DG EMPL), as well as the

\textsuperscript{11} The MIP scoreboard consists of a set of key (or headline) and auxiliary indicators on economic, employment and social trends that can severely undermine economic growth, employment, social cohesion and human capital. It now consists of 11 headline indicators and 28 auxiliary indicators. Out of the 28, 10 are social and employment-related. The employment and social indicators included in the auxiliary MIP indicators are drawn from the scoreboard of key and auxiliary indicators developed by the Commission for the Joint Employment Report (JER) and the social OMC. Within the 11 headline indicators only the three-year backward moving average of unemployment rate, with a threshold of 10\% is employment and social-related.

\textsuperscript{12} This proposal was adopted on 25 October 2017, as Regulation (EU) 2017/1951.
adoption of the principle of 'reinforced' qualified majority voting\textsuperscript{13} for the amendments on the CSRs to support changes to the Commission's proposal, added to this trend. Further important organisational steps have included the reinvigoration of the social OMC and preparation of the Joint Assessment Framework by EMCO and SPC at the request of the Employment, Social Policy, Health and Consumer Affairs (EPSCO) Council. All of this has helped the EU's social and employment policy actors to be more influential in the discussions on the CSRs and in the revision of the rules for the European Semester process.

The Semester process and its development have raised issues around the relationship between economic and social policy coordination. Critics of the social dimension of the process have developed three claims: that social objectives are subordinated to economic goals, where the main emphasis is on macroeconomic policies, competitiveness and fiscal discipline; that economic policy actors dominate social and employment players in the decision making process, noting that economic actors dominate in fields where there is 'hard' legislation at EU level, whereas their social counterparts are in fields where there are only 'soft' tools available; and finally, that for many the Semester process is a centralised mechanism that imposes structural reforms on Member States including in areas of national competence (such as social and employment policy) strengthened by threats of sanctions under the Stability and Growth Pact (SGP) and the MIP.

In contrast to these criticisms, another body of research argues that there has been a gradual socialisation of the European Semester. They see a growing emphasis on social objectives in the AGS and the CSRs, intensified monitoring of national and EU policies by social and employment actors and their enhanced role in drafting, reviewing and amending CSRs, and finally less hierarchical decision-making arrangements within the Semester.

Moreover, a recent study points out that striking a better balance between economic and social issues is a necessity in terms of economics (to counterbalance possible asymmetric shocks), social policy (to have more investment in human capital so as to combat inequalities and poverty) and politics (great divergences can undermine the credibility of the EU project), particularly in the euro area.

**2.3. Funds and programmes**

Several European funds support the strengthening of the social aspects of governance, foremost among them the European structural and investment funds (ESI funds).\textsuperscript{14} They account for about a third of the EU budget in the 2014 to 2020 programming period. Their objectives, conditionalities and budget allocation strongly influence how the objectives of EU economic governance are and will be achieved in the future.

Since their creation the ESI funds have been the EU's main instrument when it comes to strengthening its economic, social and territorial cohesion. To make them more effective they were built into the Common Strategic Framework in the 2014 to 20 programming

\textsuperscript{13} Under the Lisbon Treaty, when the Council takes a decision based on a majority comprising 72\% of Member States accounting for 65\% of the Union's population.

\textsuperscript{14} There are five ESI funds: the European Regional Development Fund (ERDF); the European Social Fund (ESF); the Cohesion Fund (CF); the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime & Fisheries Fund (EMFF).
period. They are managed by the Member States by means of partnership agreements and they are implemented through operational programmes. In 2010, the Europe 2020 strategy declared as its objective to achieve smart, sustainable and inclusive growth, i.e. higher levels of employment, productivity and social cohesion. The Common Strategic Framework translated the five headline targets of the strategy (employment, research and innovation, education, poverty reduction and climate change and energy) into eleven objectives to be supported by the ESI funds.

In the aftermath of the crisis the development of the funds has been linked increasingly to economic governance and macroeconomic conditionality. The adoption of the new ESI funds regulation (Common Provisions Regulation (CPR)) in 2013 further aligned the funds with the economic governance objectives. The regulation aimed to promote the implementation of structural reforms in the Member States, target the regions most in need, and aimed to ensure that no less than 23.1% would be spent on social inclusion, thus targeting the most vulnerable groups in society. It also introduced new procedures, including CSRs and relevant Council recommendations. The Commission aimed to improve the link between reforms in the Member States and the ESI funds. In practical terms it attempted to link the ESI funds to the achievement of the objectives of the CSRs in the respective Member States, and thus support structural reforms. Moreover, it introduced additional instruments, such as ex-ante conditionality and stronger macroeconomic conditionality. In this way the funds increasingly became an important tool to defend the macroeconomic environment of EMU. Critics of this development have concluded that this 'policy overload' has led, in part, to the loss of the funds' solidarity function.

A 2013 Parliament resolution found that the new provision of macroeconomic conditionality might 'penalise regions and social groups already weakened by the crisis, with a suspension of payments possibly having disproportionate effects in several Member States' (CPR Article 23). Nevertheless, after having introduced amendments to the proposal that guaranteed that the Parliament would be informed in detail about any planned measures, and would be able to scrutinise all decision making procedures leading to the suspension of funds, Parliament agreed to the proposal. Moreover, Parliament succeeded in introducing amendments ensuring that the suspension of funds would be adjusted in line with the social and economic circumstances of the Member State concerned. In its 2015 resolution on the ESI funds and economic governance, Parliament considered 'that Article 23 of the CPR must only be used as a last resort to contribute to an efficient implementation of the ESI funds'. In this context Parliament asked the Commission to 'immediately inform Parliament of the CSRs and Council recommendations that are relevant in the context of the ESI funds', as well as 'any reprogramming request under Article 23'. In addition the Parliament has called in several resolutions for a specific Council formation for cohesion policy, stating that such an institutional development would lead to a better flow of information and faster cohesion policy development.

The revision of EU cohesion policy is currently under way. The seventh cohesion report concluded, that as there had so far been no need to trigger Article 23, it was not necessary to revise the proposal.

Assessment of the above described developments of the funds, however, is not straightforward. A study taking stock of these developments and their results concluded that the lack of evidence to date is partially the result of an insufficient alignment of the
ESI funds and structural reforms, including their timelines, i.e. the yearly economic governance cycle and the longer-term perspective of the ESI funds. However, it presented emerging evidence that ex-ante conditionality could improve investment and positively impact public administration. Nevertheless, it also stressed that Member States and regions needed to take ownership of the reforms. As for the role of macroeconomic conditionality, it pointed to the need for a more comprehensive review so as to see how it contributed to structural reforms. In sum, it showed that the piling up of different objectives in relation to the ESI funds (i.e. macroeconomic stability or real economic and social convergence) had 'blurred the rationale and the primary goal of structural reforms'. Moreover, the extension of economic governance to cover cohesion policy may hinder its ability to deliver on long-term growth and investment, and its ethos of solidarity. It is in this context that ideas have emerged of making more use of social indicators in the MIP as well as monitoring territorial development more closely and making cohesion policy part of a broader policy direction.

The European Fund for Strategic Investment (EFSI) launched in 2015 might also contribute to more investment in human capital. While, the fund was based mainly on two components between 2015 and 2017: innovation and infrastructure, and SMEs, the Commission proposed to strengthen and extend the fund by 2020. The original plan was aimed at mobilising €315 billion of public and private investment so as to boost growth and employment. In the second phase, by adding an additional €26 billion guarantee, the target has grown to €500 billion mobilisation by 2020. EFSI has been criticised for not providing enough incentives for social investment, apart from investment in purely physical infrastructure such as social housing, innovative infrastructure and the training of personnel. In 2016 social investment was modest: less than 4% was used for social infrastructure and 1% for social services. Some would also argue that the focus of the social dimension of the fund should go beyond social investment, be much more cross-sectoral and focus on promoting social cohesion. In a recent paper the European Political Strategy Centre (EPSC) argued that the solution could be that a dedicated instrument be added to EFSI providing pooled finance for additional investment in existing programmes, such as Erasmus+ or the Employment and Social Innovation Programme (EaSI). This could be a response to much of the criticism raised in relation to EFSI not being understandable enough for social actors, while also avoiding duplication between the aims of funds, particularly that of the ESF, and thus rather reinforce them.

According to Article 25 of the Multiannual Financial Framework (MFF) Regulation, the Commission must present a proposal for the post-2020 MFF by 1 January 2018. In this context the post-2020 development of cohesion policy is all the more important. A resolution by the Parliament on the subject called for: better synergies between funds and for EFSI not to 'undermine the strategic coherence, territorial concentration and long-term perspective of cohesion policy programming'. It also called for harmonisation between cohesion policy and competition policy, in particular regarding state aid rules; and for grants to remain the basis of cohesion policy financing, whilst stating that loans, equity and guarantees can play a complementary role but 'should be used with caution'. Along similar lines a CoR opinion called for a new common strategic framework to cover all EU policies and funds having a territorial dimension, so that there is strategic consistency in aims and instruments so as 'to avoid duplication and lack of coordination of these interventions at both EU and national level'.
3. Outlook

On 1 March 2017, the European Commission launched a white paper process on the future of the EU. For the transition stage between stages 1 and 2 in the process of deepening EMU, a white paper was planned in the Five President's Report to assess progress made in stage 1 and to outline the next steps needed, including measures of a legal nature to complete EMU in stage 2. As a result of the size and extent of the challenges the EU has been facing, by the time the white paper was published, it had become a white paper on the future not only of EMU but also of Europe. Accompanying the white paper, five reflection papers were published too, also developing scenarios on specific topics of particular importance at European level, notably on the social dimension of the EU, on harnessing globalisation, on deepening the EMU, on the future of European defence and on the future of European finances.

While the white paper explained the major challenges Europe is up against and described five subsequent scenarios for the way forward and their implications, the subsequent reflection papers provided scenarios on their particular subjects in relation to these scenarios. The overall reflection process with a broad participation of stakeholders and civil society should run until the next European parliamentary elections to be held in 2019 and give a clear mandate from Member States for further European action. President Juncker's State of the Union address in September already presented preliminary outcomes of the plans for the way forward. Moreover the Commission's 2018 work programme put forward concrete plans also in relation to the future of the social dimension of European policies. These included: measures for better social protection and working conditions within a social fairness package as well as a comprehensive proposal for the new MFF beyond 2020, followed by proposals for the next generation of programmes and new own resources. It also envisaged further use of the European Semester process to promote quality growth and structural reforms as well as capacity building in Member States' public administration.

When it comes to social governance, the main issues are how to combine and further develop existing European tools, both in terms of processes and content, so that they support the idea of quality growth in which economic growth is coupled with quality social standards. In practical terms, this implies the questions of whether and how to make certain existing governance mechanisms more participatory and binding, as well as, whether any new mechanisms or tools are necessary, and if so, which.

The latest opinion of the EESC on the impact of the social dimension and the European pillar of social rights – as the main future EU framework for social policies at EU level – on the future of the European Union, suggests a fourth scenario beyond the three suggested by the Commission. The three scenarios of the Commission range from focusing exclusively on the free movement of workers, to developing what would essentially be a multispeed Europe, or genuinely deepening EMU across the 27 remaining Member States. The EESC's fourth scenario would focus on 'deepening the social dimension where possible and focusing more on outcomes'. This would in turn support more upward convergence. In this context the opinion called for more binding measures within the European Semester and for a roadmap of joint initiatives in key areas where EU action provides clear added value, particularly in relation to their outcomes.

Meanwhile, avoiding a multispeed Europe, if possible, seems to be an important element when envisaging Europe's future and this is supported by Parliament and the CoR. Thus they support the idea that the European pillar of social rights should become a reference
framework not only for the euro area countries, but, eventually for all EU Member States. The proclamation on the pillar, finally adopted by Commission, Parliament and Council to be officially signed at the Gothenburg Social Summit in November 2017, reflects this view: the pillar was 'conceived for the euro area but it is addressed to all Member States'.

Better, i.e. adequate and suitable, indicators for monitoring social progress, possibly on an equal footing with economic ones is still an important issue. Several initiatives are aimed at measuring the social dimension of growth beyond GDP, arguing that GDP in itself does not hold enough information on social progress. Moreover there is also a call to measure the social returns of policies and programmes. This, in turn, leads to the search for evaluation frameworks that integrate both economic and social criteria for evaluation. The CoR in the above mentioned opinion called for a 'social progress protocol in any future Treaty change, aiming at putting social rights on a par with economic rights'. The Commission work programme for 2018 sets the ambition of a 'social standards union' and promises to integrate the social scoreboard accompanying the pillar into the European Semester so as to monitor progress. However, the relationship between this scoreboard and the existing scoreboard is not clarified. The earlier mentioned EESC opinion called for more adequate and suitable indicators for the new social scoreboard. In addition, the debate about an equal footing for economic and social indicators within the MIP has still not been resolved. The additional three indicators added to the main indicators were 'neutralised' in practice, i.e. transgressing them does not lead to an in-depth-review, whereas in the case of the other main indicators, trespassing their thresholds might lead to an in-depth-review. The Commission decides after the in-depth-review whether macroeconomic imbalances exist in the country under review.

Some ideas are also emerging in relation to funds for strengthening social governance. In Parliament’s above-mentioned resolution on the pillar as well as in other resolutions on the future of EU institutions there is a recommendation to introduce a ‘convergence code’, i.e. targets, such as in the areas of taxation, labour mobility and pensions. This would serve to strengthen the links between meeting these targets relevant for social governance and access to EU funds, and other EU economic reform instruments in combination with fiscal incentives. Another idea emerging – mainly from social stakeholders – is that of a 'golden rule' for public social investment. This would give higher flexibility in the SGP and enable governments throughout the economic cycle to borrow only to invest and not to fund current spending. This, in turn would allow Member States to maintain productive social investment that might otherwise become target to budget cuts, so as to comply with the SGP deficit targets.

Finally, social governance can be also strengthened by giving EU social and employment policy actors a greater role in monitoring, reviewing and amending the CSRs. This process has been ongoing and as a result the Semester has become less hierarchical and more interactive, and the CSRs less uniform and less prescriptive. However, the Parliament’s resolution on the social pillar called for more joint meetings between the EPSCO and ECOFIN Council formations with a view to promoting better coordinated socio-economic policies, as well as for regular meetings of euro-area labour and social affairs ministers serving to improve policy coordination within the Eurozone and address social imbalances properly.

Given its complexity, the current EU governance system and its complex processes cannot 'narrowly predetermine the outcomes of political struggles, but typically offer multiple opportunities and resources for strategic agency by contending groups of
actors, whose effective exploitation depends on the latter’s ability and willingness to identify and act upon them’. Thus implementation remains in the hands of the Member State actors but good framework conditions and incentives can be created for that at European level. Research indicates the importance of improving understanding of the implementation mechanisms of European policies. Finally, both the economy and society are complex systems and understanding their interactions is crucial in order to rise to the challenges posed by inequalities and other global issues.

4. Main references

European Committee of the Regions opinion, The European pillar of social rights and reflection paper on the social dimension of Europe, 10 October 2017.

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Whereas economic governance is now undertaken in the EU through a regulated, 'hard' framework, there is no equivalent framework for social governance. At present, social governance in the EU functions mainly within the 'soft', unregulated realms, although it is also marked by some 'hard' governance mechanisms. This paper aims to give an overview of the social aspects of EU governance. It looks at existing EU social governance mechanisms and tools, including their current state of play, the debates that surround them and possible avenues for their further development.