Social governance in the European Union

Managing complex systems

IN-DEPTH ANALYSIS

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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 social 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 by some as a powerful tool, but not so 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 partners' 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, originally created to bring about greater economic, social and territorial cohesion across the EU, have been increasingly linked 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 and others, such as Erasmus+, so that they can all support investment in human capital in the most efficient way. The proposals for a new multiannual financial framework (for the 2021-2027 period) address several of these concerns and make the first steps towards 'socialising the budget' in a better way and placing social investment (investment in human capital) at centre stage. However, there is still no balance between the principles of solidarity, cohesion, upward convergence and competitiveness.

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1. Introduction

When the new European Commission assumed office at the end of 2019, it placed the social market economy at the heart of its activities. Accordingly, the idea of a 'just transition for all' to a sustainable green economy in the digital world cuts across many of the new Commission's sectoral policies and programmes. Moreover, the Commission has noted that implementing this idea requires 'an economy that works for people'. Thus, just like its predecessor (the Juncker Commission), the von der Leyen Commission attaches priority to the goal of further deepening the economic and monetary union (EMU) and strengthening its social dimension. Already in 2015, the Five Presidents' Report 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 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. Furthermore, these considerations have also featured highly in discussions on the future of the EU. The current crisis triggered by the coronavirus pandemic makes them even more relevant.

Given the limited competence of the EU in social policy[1] and thus the complexity of actors and mechanism involved, this analysis should support discussions on EU governance, with particular focus on social issues. Here, it should be noted that the social dimension reaches far beyond social policies. It involves all sectors that directly affect people, ranging from health, through trade, climate and energy, to the economy. This is clearly stated in the Juncker Commission's (2014-2019) stock-taking of its social priorities, including the endorsement of the European Pillar of Social Rights (social pillar), but also the development of the digital single market and the adoption of trade agreements.

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.[2] It includes the various interaction and decision-making processes among the actors involved in solving a collective problem.[3] These

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1 This will be explained further in Chapter 2.

2 M. Bevir, *Governance: A very short introduction*, Oxford University Press, 2013.

3 M. Hufty, 'Investigating policy processes: The governance analytical framework (GAF)', *Research for Sustainable Development: Foundations, Experiences, and Perspectives*, U. Wiesmann and H. Hurni (eds.) with an international group of co-editors, Vol. 6., *Geographica Bernensia*, 2011, pp. 403–424.

processes include the ways (i.e. mechanisms, processes and relations) by which stable practices and organisations arise and persist. Many 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 its being transparent, participatory, inclusive, effective, legitimate, accountable, etc.

In these publications, the subject of social governance is strongly linked to discussions on the welfare state. They explain that European welfare states currently 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 (followed by Spain, Italy and Greece) and an east European model (post-socialist countries) as often there are big differences between countries within one model and at the same time a convergence of policy areas across models.[4] 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.[5] 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 defined social governance framework as such in the EU, as exists with regard to economic governance (the European Semester[6]), but there are several mechanisms through which social

[4] Most recently in P. Taylor-Gooby, B. Leruth and H. Chung (eds.), After austerity: welfare state transformation in Europe after the great recession, OUP, 2017.

[5] E. Helltström and M. Kasanen, 'Governing the welfare state and beyond - Solutions for a complex world and uncertain future', in *Redesigning the European welfare state – ways forward*, Vision Europe, 2015.

[6] For further details, see point 2.2. below.

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[7] (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) 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) 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 provision of 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 coordination of social security regulations; 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.[8] 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.[9]

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7 For further details see point 2.1.1. below.

8 Relevant regulations and information on how they have developed can be found here with regard to provision of information and consultation of workers, redundancies and works councils ; and in the linked keywords with regard to social security; posting of workers; working time, part-time work, fixed-term work, temporary agency work and protection of workers in the event of insolvency.

9 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.

The latest attempt to better define and support 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[10] 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 a focus on the euro area: the creation of a euro area system of competitiveness authorities; strengthened implementation of the macroeconomic imbalance procedure (MIP)[11]; 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.12 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 Five Presidents' Report 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. These included the social pillar and follow up actions, including the design of some new regulations[13] and updates of existing ones.[14] This process continues under the current Commission. The January 2020 communication on a transition to a strong social Europe foresees an action plan on the implementation of the social pillar. It invites all Member States to a broad discussion until November 2020 on the exact content of this action plan, but it also calls on national, regional and local authorities, as well as on all stakeholders and social partners, to act for the sake of implementing all of the 20 principles of the social pillar.

During the second stage, direct actions aiming at completing the EMU have been advancing very slowly since the adoption of the December 2018 EMU package. A number of proposals have been made, the most ambitious ones being the transformation of the European Stability Mechanism (ESM) into a European Monetary Fund (EMF) under EU law, establishing a euro area budget that

[10] The Europe 2020 strategy for smart, sustainable an inclusive growth was launched in 2010 by the European Commission as an overarching 10 year growth strategy for the EU. Its aim was to improve Europe's competitiveness and productivity underpinning the social market economy.

[11] For further details, see point 2.2. below.

[12] The Community method is a decision-making procedure that allows for a transparent, effective and democratic functioning of the European Union. It is based on the interplay between three autonomous institutions: the European Commission, the European Parliament, and the Council of Ministers (also called the 'institutional triangle').

[13] For example, on work-life balance.

[14] For example, on transparent and predictable working conditions (old Written Statement Directive) or on social security coordination.

includes a European investment stabilisation function (EISF), and the integration of the Treaty on Stability, Coordination and Growth (TSCG) into EU law. Results were however scarce at the end of the Juncker Commission's term, mainly due to the fact that no consensus had been reached in the Council on the future architecture of the euro area. The new Commission wishes to continue the efforts for an agreement on these ambitious plans, including delivering a budgetary instrument for convergence and competitiveness (BICC) in the euro area, as part of the work on supporting Member States' structural reforms with a view to fostering inclusive growth and territorial cohesion. It also aims to achieve a more growth-friendly fiscal stance in the euro area by using the flexibility in the Stability and Growth Pact (SGP). A 'limited golden rule' of government spending will be taken as a basis for the Commission's considerations.

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, commits Member States and the EU 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 TEU. Further, Article 9 TFEU states 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) sets out the specific process, called the OMC, for implementing the EES. The OMC found its expression in the employment guidelines. Between 2003 and 2005, they were synchronised with the broad economic policy guidelines – guidelines on macroeconomic and structural policies that aim to coordinate the EU countries' economic policies so as to achieve common goals. The legal basis for the implementation of these guidelines is Article 121 TFEU. If Member States' policies do not comply with them, the Commission may issue a warning, which is not the case with regard to the employment guidelines. In 2010, the newly introduced Europe 2020 Integrated Guidelines[15] brought the employment and the broad economic policy guidelines under a single umbrella. The integrated guidelines form part of the monitoring within the European Semester and serve as the basis for the national reform programmes that Member States submit to the Commission during the spring months of each year.

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 European 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) and to monitor progress towards those objectives, generally through

[15] The Europe 2020 Integrated Guidelines set out the framework for the Europe 2020 strategy and reforms at Member-State level. Given this legal basis, the guidelines for employment (Article 148 TFEU) and economic policies (Article 121 TFEU) are presented as two distinct – but intrinsically interconnected – legal instruments: a Council Recommendation on broad guidelines for the economic policies of the Member States and of the Union – Part I of the Europe 2020 integrated guidelines; a Council Decision on guidelines for the employment policies of the Member States -Part II of the Europe 2020 Integrated Guidelines. These guidelines implemented by the above-mentioned legal instruments together form the integrated guidelines for implementing the Europe 2020 strategy.

commonly designed benchmarks and targets. It also very often works through the method of peer-learning, peer-counselling[16] and the 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 under 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 EU 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 in France, 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 were achieved were

[16] *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 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).

'leverage' (i.e. actors creatively appropriating various instruments from the OMC toolbox to legitimise their own preferences), policy learning and external pressure.

2.1.2. Impact assessment[17]

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 the 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 EU 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[18] 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. The toolbox also put great emphasis on the transparency of the process and on 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 of the Council pointed out that the impact assessment of proposals with the involvement of broad groups of policy makers and practitioners can contribute

[17] This topic will be further discussed in point 2.2. on the European Semester.

[18] Such as financial programmes and recommendations for negotiations of international agreements.

to 'maximising the long-term socio-economic development benefits for civil 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.

To evaluate past experience of better law-making in practice, the European Commission undertook a comprehensive stock-taking exercise in early 2019, to find out what had worked well and what needed to be improved in this regard in the future. In relation to impact assessment, it pointed out the difficulty of simultaneously addressing the two objectives of user-friendliness and depth of analysis. It stressed that there was a need to consider the magnitude of the expected impact and the limits to the depth of analyses imposed by constraints on the availability of data, timing and resources, while taking into account the importance of preserving the balance and comprehensiveness of the impact assessment process. It also pointed out that more cooperation was needed between the Commission, the Parliament and the Council to set the basis and provide the data for a better evaluation of EU laws.

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.

Title X Articles 151-156 TFEU lay down the rules on social dialogue. Both bipartite and tripartite forms of social dialogue exist. Bipartite social dialogue takes place in cross-industry or sectoral social dialogue committees. Tripartite social dialogue takes place in the Tripartite Social Summit twice a year between the European social partners and the EU institutions.

According to Article 152, '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 furthermore 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 also allows social partners to ask the Commission to take a proposal to the Council, which leads in practice to implementation by Council directive.[19]

The social dialogue mechanism suffered a setback during the economic and financial crisis of 2007-2008, prompting the Juncker Commission to relaunch and strengthen it. In June 2016, a joint statement on a 'new start for social dialogue' was signed. In this document, Valdis Dombrovskis, then Commission Vice-President for the Euro and Social Dialogue, and Marianne Thyssen, then 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 Parliament, the Employment and Social Affairs (EMPL) Committee in particular has put 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 financial 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 complexity of the EU social dimension is such that to strengthen it requires governance mechanisms in place that allow for collective problem solving by various actors across different sectors. As for the role of social dialogue several challenges remain. 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 their motivation to address them. It identified three

[19] If the social partners do not manage to reach an agreement, the Commission can launch a normal legislative procedure.

groups of countries: those where national social partners mainly addressed issues raised by the EU policy agenda (those which 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 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. Other studies also stressed the need to strengthen the social partners' representativeness and autonomy and the linkages between European and national levels of social dialogue and to further improve their capacity and involvement in public policy. Moreover, they emphasised the need for a stable, balanced industrial relations framework. In addition, some evaluations show how certain proposals stemming from the social pillar have caused serious collateral damage in the field of European social dialogue, eroding the trust among the European cross-industry social partners[20].

The current Commission wants to further promote social dialogue at the EU level across its political priorities. Moreover, it emphasises that it intends to make full use of workers' involvement through bodies such as the European Works Council, to achieve better information and consultation of workers. For this to happen the above challenges need to be addressed.[21]

2.2. European Semester – social aspects

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. Given the fact that the EU economic governance tools are integrated in the European Semester, this results mainly in EU-level multilateral and bilateral surveillance of Member States' fiscal policies under the Stability and Growth Pact, economic and structural policies under the Macroeconomic Imbalances Procedure (MIP), and employment policies under the employment guidelines.[22] 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

[20] The European cross-industry social partners include BusinessEurope, the European Association of Craft, Small and Medium-sized Enterprises (UEAPME), the European Centre of Employers and Enterprises providing Public Services (CEEP) and the European Trade Union Confederation (ETUC).

[21] Estimates made for recurring European Parliament proposals have shown efficiency gains of around €12 billion per year in case of improvements in the field of information and consultation of workers, for example. These estimates have notably suggested that a more systematic information and consultation of workers would lead to significant economic benefits – by reducing the incidence and severity of industrial conflicts, reducing the rate at which people leave their jobs (known as the 'quit rate'), increasing employability, and/or easing social and health effects on social welfare systems and the related costs (notably in health-related treatment).

[22] For more details on the institutional setup of the European Semester and its future, see: A. Delivorias, Introduction to the European Semester; coordinating and monitoring economic and fiscal policies in the EU, in-depth analysis, EPRS, European Parliament, December 2019 and K. Hagelstam & al., The European Semester for economic policy coordination: a reflection paper, Economic Governance Support Unit, DG IPOL, European Parliament, October 2019.

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 are required to 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 this context, up until 2016 the European Parliament published two sets of annual reports: first, in February, on the economic, and on the employment and social aspects, of the annual growth survey following its November publication; and second, in October, on the implementation of the country specific recommendations (CSRs) for the ongoing Semester as a contribution to discussions on the euro-area recommendations and the drafting of CSRs for the following year. The October report was prepared by the Committee on Economic and Monetary Affairs (ECON), in association with the Committee on Employment and Social Affairs (EMPL) and the Committee on Budgets (BUDG). In 2018, the ECON and EMPL committees gained authorisation from the Conference of Presidents to draft two separate reports on the euro area: one on economic policies and the other on social and employment policies. 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). Most recently, the Commission President, Ursula von der Leyen, tasked the Executive Vice-President, Valdis Dombrovskis, with ensuring that the Commission comes to the European Parliament before each key stage of the European Semester cycle.

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.

2.2.1 Institutional level

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 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 inter-institutional 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 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. The name should recall the macroeconomic imbalance procedure (MIP) whose goals are to set out detailed rules for the detection, prevention and correction of excessive macro-economic imbalances within the EU. The social imbalances procedure would to some extent replicate this mechanism and – depending on its design – address social problems that threaten social cohesion in a Member State due to their social, economic and political implications.[23] Endorsed by the Parliament, the CoR has 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 has 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'.

2.2.2. Monitoring

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[24] 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 six 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

[23] For an idea of what it would mean in practice, see S. Sabato & al., Integrating the European Pillar of Social Rights into the roadmap for deepening in Europe's Economic and Monetary Union, European Economic and Social Committee, Brussels, 2019. The study also contains references to earlier ideas on the subject.

[24] Prior to that, starting from 2010 the EMCO and SPC developed a Europe 2020 Joint Assessment Framework (JAF) aimed at monitoring and assessing the implementation national reforms under the Semester. JAF covers the areas included in the employment guidelines and since 2013 healthcare too. The results of the JAF feed into the Employment and Social Performance Monitor.

MIP scoreboard[25] 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. However, they were not given the same status as the 11 original indicators in the MIP. Rather, they were 'neutralised', i.e. overstepping their thresholds would not trigger an in-depth review.

From the 2018 European Semester cycle onwards, the social scoreboard accompanying the social pillar has been used for the social and employment analysis performed as part of the Draft Joint Employment Report. While the earlier scoreboard aimed at providing a measure of the relative standing of each Member State within the distribution of the indicator values (scores) of the EU, in the new social scoreboard levels and changes are converted into standard scores. The new social scoreboard contains 14 composite indicators as well as 21 secondary indicators in 12 areas in which societal progress needs to be measured. It has been criticised by stakeholders for not covering all of the principles of the social pillar as well as overlapping with the existing complex set of indicators used for the Europe 2020 strategy and the respective Employment and Social Performance Monitors and the social indicators in the MIP.

In addition, the von der Leyen Commission has decided to mainstream the United Nations sustainable development goals across portfolios and use them as the main analytical tool in the European Semester process. The 2030 Agenda for Sustainable Development is the most ambitious global agreement for achieving social progress to date. To monitor its progress, the SDG goals and targets have been set universally for all countries. As a first step, in the beginning of the 2020 cycle instead of the usual annual growth survey it put forward the Annual sustainable growth strategy (ASGS). The latter presents a rebooted growth model that focuses on the topic of sustainability and is built around its four dimensions: environmental sustainability, productivity gains, fairness and macroeconomic stability. In its forthcoming resolution on the European Semester for economic policy coordination: employment and social aspects in the Annual Sustainable Growth Strategy 2020, Parliament welcomed the inclusion of the social pillar in the ASGS 2020 and called for fairness and social rights, as well as environmental sustainability and macro-economic stability, to have equal importance in the new economic model. While stressing the central role of the social scoreboard in the European Semester, it called on the Commission to build upon existing indicators and reinforce the scoreboard by integrating further indicators and clear targets reflecting all 20 principles of the social pillar, such as inclusive access to education, health, nutrition, employment, housing, and the preservation of social rights, and to ensure that such indicators are analysed on a disaggregated basis (e.g. children, youth, seniors, gender, migrants and persons with disabilities).

[25] 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.

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 Commission suggested to progressively introduce 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.

2.2.3. Country-specific recommendations

The CSRs, adopted annually as part of the European Semester in July, provide policy guidance to EU Member States' national policies over the following 12 or 18 months on macroeconomic, budgetary and structural policies in accordance with Articles 121 and 148 TFEU. Looking at the development of the content of the CSRs over the years, 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 Social Protection Committee (SPC) and the Directorate-General for Employment and Social Affairs at the European Commission (DG EMPL), as well as the adoption of the principle of 'reinforced' qualified majority voting[26] 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 (JAF)[27] by the EMCO and the 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 actors 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[28] argues that there has been a gradual socialisation of the European Semester. They see a growing emphasis on social objectives in the AGS

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[26] 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.

[27] For details, see footnote 21.

[28] Starting with S. Bekker, 'EU economic governance in action: coordinating social and employment policies in the third European Semester', Tilburg Law School Research Paper No 14/2014, to the latest publication by J. Zeitlin and B.

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.

Finally, the fact that the EU has limited power to 'impose' the implementation of the CSRs is an ongoing problem. From the regular annual assessment published by the Commission in its country reports, it emerges that more than half of CSRs (53 %) were implemented on average, with at least some progress over the period 2012-2018.

2.3. Funds and programmes

Several European funds support the strengthening of the social aspects of governance, foremost among them being the European structural and investment funds (ESI funds).[29] 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 2020 programming 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 achieving smart, sustainable and inclusive growth, i.e. higher levels of employment, productivity and social cohesion, as its objective. 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 11 objectives to be supported by the ESI funds.

In the aftermath of the 2008 crisis, the development of the funds has been increasingly linked 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, to target the regions most in need, and 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. Others have also emphasised that the piling up of different objectives in relation to the ESI funds (i.e. macroeconomic stability or real economic and social convergence) has 'blurred the rationale and the primary goal of structural reforms'. Moreover, they have stressed that the lack of evidence to date is partially the result of an insufficient alignment between the ESI funds and structural reforms, including their timelines, i.e.

Vanhercke, 'Socialising the European Semester: socialising the European Semester: EU economic and social policy coordination in crisis and beyond', *Journal of European Public Policy*, 25/2018.

29 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).

the longer-term perspective of the ESI funds and the yearly economic governance cycle. However, they have presented emerging evidence that ex-ante conditionality could improve investment and positively impact public administration. Nevertheless, they have also stressed that Member States and regions need to take ownership of the reforms.

In a similar vein, a 2017 Parliament resolution on the future cohesion policy called for better synergies between funds 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'. Similarly, a CoR opinion called for a new common strategic framework to cover all EU policies and funds having a territorial dimension, so as to ensure strategic consistency in the aims and instruments in order 'to avoid duplication and lack of coordination of these interventions at both EU and national level'.

Apart from the ESI funds, several other EU funding tools support social and employment objectives, mainly through financing social investment that promotes human capital formation, employment and protection. These are: the Erasmus+ programme, which supports education, training, youth and sports in Europe, the Youth Employment Initiative (YEI) that mainly addresses NEETS (young people neither in employment nor education); the Fund for European Aid of the most Deprived (FEAD) to tackle the most severe forms of material deprivation by providing non-financial assistance, such as food, clothing, etc.; the European Globalisation Adjustment Fund (EGF) aiming at supporting workers who were made redundant because of major structural changes due to globalisation; and the Employment and Social Innovation Programme (EaSI) that focuses on the development of adequate social protection systems and labour markets, with particular attention to vulnerable groups and innovative financial tools, such as microfinance. Finally, the European Fund for Strategic Investment (EFSI) launched in 2015 might also contribute to more investment in human capital. From 2015 to 2017, this fund had two main components: innovation and infrastructure, on the one hand, and SMEs, on the other, the Commission subsequently proposed to strengthen and extend the fund by 2020. The original plan aimed at mobilising €315 billion of public and private investment so as to boost growth and employment. In the second phase, through the introduction of an additional €26 billion guarantee, the target grew to €500 billion worth of mobilisation by 2020. The EFSI has been criticised for not providing sufficient incentives for social investment apart from investment in purely physical infrastructure such as social housing, innovative infrastructure and the training of personnel.

In the new Commission proposal for the long-term budget of the EU, the multiannual financial framework 2021-2027 addresses several of the above concerns. The new proposal aims to achieve a more strategic approach to the above discussed funds and consequently more synergy between them, by means of: creating the European Social Fund + (incorporating the ESF, the YEI, the FEAD, the EaSI and Health); establishing a stronger link between the European Semester and the ESI funds; changing the allocation principle under the Common Provisions Regulation;[30] and simplifying the

[30] The proposal for a Common Provisions Regulation (CPR) set out common provisions for seven shared management funds. Therefore, the single rulebook will cover the European Regional Development Fund, the Cohesion Fund, the European Social Fund+, the European Maritime and Fisheries Fund, the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument. Additional specific regulations will add certain provisions needed to cater for the particularities of individual funds, in order to take into account their different rationales, target groups and implementation methods. The suggested proposal will not replace the existing Regulation (EU) No 1303/2013, which will continue to govern the programmes adopted in the 2014-2020 period.

rules for accessing the ESI funds. At least 25 % of the ESF+ is earmarked for promoting social inclusion and tackling poverty, at least 2 % for material support for the most deprived and 10 % for tackling youth unemployment. The Commission proposes a stronger link between the Semester and the ESI funds by better connecting the funds and the CSRs. The latter will be considered both in the programming of the funds and the design of the cohesion policy. The Commission proposes to include new indicators in the CPR, such as 'climate change' and reception and integration of migrants', and to slightly modify the allocation criteria. And finally, it proposes that accessing funds should be based on the fulfilment of conditions or achievement of results.

Although the new proposal has been welcomed, concerns have been raised in relation to the overall reduction of the volume of the ESI funds, to their ever- stronger link to the Semester, and to the decision of maintaining macroeconomic conditionalities. Parliament has rejected the proposed measures linking EU regional funding to macroeconomic conditionalities. Several Parliamentary committees have emphasised that cohesion policy does not share the same goals as the European Semester and have recalled Parliament's previous position that activities linked to the European Semester and EU governance processes should not impede the main purpose of cohesion policy, which is to reduce disparities in the level of development between regions. Parliament has also proposed to increase the financial envelope, to raise the allocation for social inclusion to 30 %,[31] as well as to add an extra €5.9 billion to the European Child Guarantee, a new instrument to ensure equal access for all children to free education, early childhood education and care, nutrition, health and housing. Finally, concerns have also been voiced that by integrating the YEI and the FEAD into the ESF+, they would lose some of their counter-cycle function.

With regard to other relevant funds, it has been proposed to increase their budget, as has been the case with Erasmus+. The proposal for EGF also has an increased budget; it furthermore widens the fund's scope in terms of eligibility factors beyond redundancies, lowers the threshold of redundancies and speeds up the allocation procedure, reducing the involvement of Parliament and Council. Parliament has proposed to triple the budget for Erasmus+ and to lift barriers so as to make the funds accessible to more people. Regarding the EGF, Parliament has suggested to change its name to the European Fund for Transition, apply a flat co-financing rate of 70 %, introduce the possibility of integrating NEETs into the target group, and use the fund to support redeployment in areas with unemployment rates equal to or above 10 %. In 2016, social investment in the EFSI was modest: less than 4 % was used for social infrastructure and 1 % for social services. Partly in response to this criticism, the new proposal for the 2021-2027 period, called InvestEU, dedicates a €4 billion budget (expected to yield a € 50 billion investment) to 'social investment and skills'. Parliament has suggested to further broaden the general objectives of the fund to include increasing in the EU employment rate, creating high-quality jobs, and achieving the UN SDGs and the Paris Climate Agreement goals, as well as economic, territorial and social cohesion.

Two financial convergence instruments, for each of which the Commission has submitted a proposal – a Reform Support Programme and a budget for the euro area – might also have the potential to strengthen the social aspects of economic governance. Their aim is to provide support to structural reforms. The proposed Reform Support Programme goes beyond the existing technical support provided by the current Structural Reform Support Service and also offers financial support for the implementation of reforms and the improvement of administrative capacity. It should also support

31 Member States should allocate at least 27 % of their ESF+ resources to specific objectives in the field of social inclusion, and at least 3 % of their resources to the specific objective of social inclusion of the most deprived and/or to alleviating material deprivation.

Member States to join the euro within a set timeframe. As for the background to its proposal on a euro area budget, the Commission had called for a competitiveness and convergence instrument (CCI) both in its 2012 communication on a blueprint for a deep and genuine economic and monetary union, and in its 2012 Four Presidents' Report. These documents foresaw to make access to finance conditional on the signing, between the EU institutions and the Member State concerned, of a contractual arrangement that would lay down the planned structural reforms and the details of the financial support. However, the idea did not muster sufficient political support, and the project was abandoned even before the Commission could make a proposal. The new idea of a euro area budget was created outside the future multiannual financial framework. According to its original aims as set out in the November 2018 Franco-German proposal for a Eurozone budget, this budget should co-finance growth-enhancing public expenditures, such as investment in innovation and human capital. The Commission proposal of adopted by the Eurogroup in October 2019 is called the Budgetary Instrument for Convergence and Competitiveness (BICC) and will be within the multiannual financial framework. It should serve the attainment of greater convergence and competitiveness in the euro area. Both the Reform Support Programme and the BICC would be strongly linked to the European Semester and run by the Commission.

Evaluations so far emphasise that the new budget proposal represents a good foundation for increasing the social orientation of the budget. However, they also point out that there are still tensions among the principles of cohesion, convergence and competitiveness (in other words, between the economic and social objectives of the EU governance framework), and that it is not clear whether the ultimate ambitions of the social pillar will be achieved. The idea of putting an assertive and comprehensive social investment logic at the heart of the new multiannual financial framework could help further in this direction. It is also argued that a full-fledged social investment strategy would not infringe upon the concept of competitiveness, but on the contrary, it could reinforce it.

3. Outlook

EU policies influence core redistributive areas and also have the potential to trigger pre-distributive (e.g. policies on minimum wages) and growth-enhancing measures. In this context, there are several promising avenues that might further strengthen the social dimension of the EU. Some argue that the social pillar can generate a new policy dynamic. Others claim that alongside policies for redistribution there should also be a greater focus on taxation, and not only in a corporate context. However, there remain fundamental issues to be clarified and addressed, including the agreement among Member States on whether an EU social dimension is necessary or opportune and the careful assessment of the instruments that the EU has available to design and implement its policies. The current crisis puts these issues even more into the limelight and highlights the problem of non-consensus among Member States on the guiding principles of action, i.e. solidarity versus competitiveness.

Both the policy and the political contexts have created a space for further improvements. On 1 March 2017, the European Commission launched a white paper process on the future of the EU.[32]

[32] For the transition stage between stages 1 and 2 in the process of deepening EMU, a white paper was planned in the Five Presidents' 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. The paper on the social dimension of the EU offered three scenarios: i) focusing exclusively on the free movement of workers; ii) developing what would essentially be a multispeed Europe; and iii) genuinely deepening EMU across the EU-27. The reflection paper on harnessing globalisation highlighted the strong links between economic and social policies. The reflection process was accompanied by a broad consultation with stakeholders and citizens.

Produced at the informal meeting of the EU-27 Leaders in Sibiu, which marked the end of the reflection process, the Sibiu Declaration stressed the importance of a stronger, fairer and more united Europe that recognises 'the European perspective of the other European States'. However, it did not deliver a clear cut decision concerning which of the three proposed paths the EU is going to take. Ursula von der Leyen's political guidelines promise a fair transition for all towards a green social market economy and seem to pick up on all of these points. They put forward the idea of an action plan for the implementation of the social pillar. Within this they put particular focus on policies on a fair minimum wage, a stronger social dialogue, improved working conditions for platform workers, and a European unemployment benefit reinsurance scheme. They also put emphasis on combating poverty by helping young children and their families through the proposed European Child Guarantee and the implementation of the newly adopted Work-Life Balance Directive. They also wish to strengthen the Youth Guarantee to fight youth unemployment and to have real equality between men and women through a new anti-discrimination law and a new European gender strategy with equal pay for equal work as its fundamental guiding principle. They also promise to move towards fairer taxation, including digital taxation and an improved environment for businesses, as well as to combat tax fraud.

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, cohesion and convergence with competitiveness. 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.

First, better, i.e. adequate and suitable, indicators for monitoring social progress, possibly on an equal footing with economic ones, are still an important issue particularly in the broader economic governance framework. 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. As a first step in this direction, in 2018 the Commission integrated the social scoreboard accompanying the social pillar into the European Semester so as to monitor progress. However, the relationship between this scoreboard and the existing other social monitoring tools is not clarified. The new idea of using the sustainable development goals across portfolios for monitoring could mean a big step forward. It demonstrates the effort to keep sustainability and citizens' well-being at the centre of the EU economy. However, the transformations needed to meet those goals across the EU require a shared framework that mobilises governments, business and civil society around targeted problem-solving initiatives. The debate about an equal footing for economic and social indicators within the MIP has not yet been resolved. A suggested social imbalances procedure could be a possible solution. Some would argue that reinforcing the social and employment indicators in the MIP can just degrade them to the function of detecting and correcting macroeconomic imbalances. At the same time, a parallel social imbalances procedure could lead to more thorough and more contextualised analyses of the situation in the Member States, as well as to finding tailor-made solutions to improving the situation. However, it also implies a lot of legal and technical challenges.

Second, some ideas are also emerging in relation to funds for strengthening social governance. These mainly appear under the umbrellas of 'socialising the budget' and strengthening the 'social investment' approach. In Parliament's resolution on the social pillar as well as in its 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'[33] 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 a target of budget cuts, so as to comply with the SGP deficit targets. Such improvements could counterbalance the institutional imbalance behind economic and social governance. In addition, the long-discussed European unemployment benefit reinsurance scheme that appears now in the mission letters as a joint commitment of Paolo Gentiloni Commissioner for Economy and of Nicolas Schmit, Commissioner for Jobs and Social Rights, could not only support the unemployed but also contribute to the stabilisation of the economy.[34]

Third, 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. Parliament also called on several accounts for a more full-fledged EMU with institutionalisation of a substantial social dimension and a stronger mechanism of democratic accountability. Although Parliament has contributed to the making of some adjustments in this regard, it has not been able to change the fundamental goals of the EMU. For example, none of Parliament's attempts to soften fiscal discipline in the EMU have gone through. In contrast, a detailed analysis of the European Semester processes shows the very strong role of the Council, i.e. the Member States, in relation to taking final decisions within the economic governance framework in general and the European Semester in particular. It also shows that throughout the years, the

33 In some other publications it appears as the 'silver rule'.

34 The SURE programme, created as a response to the coronavirus crisis, can be a first step towards the introduction of a full-fledged unemployment benefit reinsurance scheme. During the financial crisis, 'short-time work' (STW) schemes in Member States allowed firms to temporarily reduce working time and to receive support from government or public employment services (PES) for the hours not worked. This instrument stabilised employment levels by avoiding dismissals (even in cases where working time was reduced to zero), sharing the burden and retaining the skilled workforce. A common EU-27 STW scheme could reinforce existing national schemes and support them in the countries most affected by the pandemic. The proposal fully respects the principle of subsidiarity.

involvement of social partners might have been nominally more intensive, but this did not really increase their leverage on the outcomes.

To partly address this issue, at the end of its term the Juncker Commission introduced a proposal to strengthen decision making in social policy at EU level by moving from unanimity voting to qualified majority in the Council, or from the special to the ordinary legislative procedure in some social policy areas, more specifically for social security and protection (excepting cross-border situations) and non-discrimination.[35] Finally, to strengthen Parliament's role, Commission President von der Leyen put forward in her political guidelines that, while respecting the principles of proportionality, subsidiarity and better law-making, when Parliament, acting by a majority of its members, adopts resolutions requesting that the Commission submit legislative proposals, the Commission will always respond with a legislative act.

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. At the time of writing of this study, the EU is experiencing a symmetric shock as a result of the coronavirus pandemic, and thus progress on many of the debates and proposals, particularly on financial matters, has picked up.[36]

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'.[37] 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.

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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.

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