ECONOMIC GOVERNANCE

Social Platform position paper on the EU Economic Governance Review

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Social Platform is the leading alliance uniting networks of civil society organisations advocating for social justice and participatory democracy in Europe. With a membership of 45 pan-European networks, Social Platform campaigns to ensure that EU policies are developed in partnership with the people they affect, respecting fundamental rights, promoting solidarity, and improving lives.

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How can EU economic governance promote a social and inclusive Europe?

1. Place wellbeing at the centre

Adopt an economy of wellbeing perspective that considers the wellbeing of all people and the planet and moves beyond only using gross domestic product (GDP) as an indicator of economic success. This approach must equally consider social, environmental, and economic factors and measure the *quality* of sustainable and inclusive economic success.

2. Prioritise EU fundamental rights, including social rights

The European Pillar of Social Rights ('Social Pillar'), the United Nations Sustainable Development Goals (SDGs), and EU fundamental rights must be prioritised across the EU economic governance. The implementation of the Social Pillar as a policy objective should be made as a prerequisite to fulfil in order to access all EU funds (conditionality), including the Recovery and Resilience Facility (RRF), and build on the enabling conditions of the Common Provisions Regulation.

3. Provide greater flexibility and safeguard rights-based social investment

Reform the Stability and Growth Pact rules to promote greater flexibility and enable necessary social investment. Introduce a 'social golden rule' to allow for the exemption of certain types of sustainable investment that will contribute to the implementation of the Social Pillar and human rights-based services. This must include: 1) Adequate social protection and social security; 2) Quality social services, including accessible, affordable and inclusive preventive and curative healthcare and long-term care; 3) Quality, affordable, accessible and inclusive early childhood, primary and secondary education; 4) Affordable and accessible social housing and the fight against energy poverty; 5) Supportive active labour market policies towards quality employment, including adequate training and life-long learning. There can be no 'green golden rule' without a 'social golden rule'.

4. Correct social and environmental imbalances

Introduce a Social Imbalance Procedure[1] linked to the Social Scoreboard and an Environmental Imbalance Procedure[2] to equally prioritise social, environmental, and economic imbalances. In instances where an EU Member State is critically declining in an area of social inclusion and social protection, the European Commission should open up the procedure for the country to correct any breaches and implement reform recommendations issued and monitored under the European Semester process.

5. Uphold civil society involvement

Recognise the fundamental role of civil society organisations, including not-for-profit service providers and social enterprises, by ensuring their ongoing access to sustainable EU funding, capacity-building and active involvement across all stages of EU economic governance and its review, including the European Semester process, and the monitoring of the implementation of the RRF.

6. Enhance EU institutional transparency

Strengthen the coordination, transparency, and role among EU institutions, including by providing the European Parliament with greater and permanent powers to scrutinise the EU economic governance framework (similar to the powers granted under the RRF), such as to co-decide macro-objectives and policies, and to hold the European Commission to account in monitoring their implementation.

Now is the time to place wellbeing and human rights at the centre of EU economic governance

The global COVID-19 pandemic has exacerbated pre-existing social inequalities across Europe, with surges in unemployment, precarious work, poverty, and social exclusion. People experiencing multiple and intersecting forms of discrimination and disadvantage have faced compounded challenges. The constraints placed on under-resourced (both human and financial) social protection systems have revealed once again that our societies simply do not have the capacity nor resilience to cope with crises given the previous decade of austerity measures taken.

The way EU Member States spend and invest is hampered by the stringent rules that govern the EU framework on economic and fiscal surveillance, including the reforms of the six-pack (2011) and two-pack (2013). It fails to provide equal weight to the impact of economic success on social progress (i.e. with regards to wellbeing, health equity and gender equality), has inhibited necessary social spending and investment to prepare for demographic change and the green and digital transitions, and has provided little space for civil society involvement. This pandemic is therefore a clear reminder that the largest macroeconomic imbalance in Europe continues to be persisting social and wealth inequalities.

To respond to this unprecedented crisis, the activation of the general escape clause of the Stability and Growth Pact allowed EU Member States to spend in crucial social areas without fiscal consequences. Looking ahead, its eventual deactivation by 2023 risks EU Member States reverting to austerity as a result of exceeding certain deficit and debt levels and triggering the Excessive Deficit Procedure under EU economic governance. It is clear that the rules of the EU fiscal framework are unsustainable, and a reform is long overdue. In this light, we welcome the fact that the European Commission initiated a public debate on the economic governance review prior to the pandemic.

Social Platform sees this public debate as an opportunity to learn from the past and reform the EU's fiscal rules by making sure it balances wellbeing and social progress with economic and environmental priorities, including by having the Social Pillar and the UN SDGs as its compass. This position paper therefore sets out six key areas that are needed to ensure socially responsive and inclusive EU economic governance.

It is high time that social progress is seen as more than an 'incentive' for Member States and is recognised as an inherent necessity to building a just and inclusive Social Europe that is resilient to future shocks and leaves no one behind.

Annex 1: Social Platform policy recommendations to the EU and Member States on the EU Economic Governance Review

1. Place wellbeing at the centre

- The European Commission must promote greater flexibility and sustainability within EU economic governance by amending the reference values outlined in Protocol No. 12 on the excessive deficit procedure to either replace the 60% debt-to-GDP ratio and 3% deficit-to-GDP ratio by fiscal standards that are based on debt sustainability analysis and consider specific national contexts,[3] or to at least ease the values.
- The European Commission should draw on existing tools to measure social progress within economic and fiscal policies, including: the indicators from the revised Social Scoreboard; the proposal by social partners supplementing GDP with an alternative set of indicators to measure economic, social and environmental progress; the Organisation for Economic Co-operation and Development (OECD) guidelines for indicators to measure wellbeing and progress; the European Institute for Gender Equality (EIGE) Gender Equality Index; and the World Health Organisation (WHO) Health Equity Policy Tool.[4] The development of these indicators must be done in consultation with civil society organisations and social partners.

2. Prioritise EU fundamental rights, including social rights

- The EU's fiscal rules must serve to enhance social inclusion and social progress. The implementation of the European Pillar of Social Rights ('Social Pillar') as a policy objective should be set as a prerequisite to fulfil in order to access EU funds, including the Recovery and Resilience Facility (RRF). This should model the enabling conditions of the Common Provisions Regulation (EU) 2021/1060 that promotes the implementation of the Charter of Fundamental Rights and the United Nations Convention on the Rights of Persons with Disabilities as a horizontal priority, and the Social Pillar as a policy objective.
- The European Commission should make the RRF a permanent funding instrument that enables crucial investment in key social areas, and ensures harmonisation with the 20 principles of the Social Pillar and the indicators set out in the Social Pillar Scoreboard with the upcoming recovery and resilience scoreboard and methodology on reporting social expenditure.

3. Provide greater flexibility and promote social investment

- The European Commission must amend both the preventive[5] and corrective arms[6] of the Stability and Growth Pact to allow for greater flexibility and smart public investment in social areas without pressure from debt and deficit reduction mechanisms.[7] Improved social cohesion prevents the tremendous economic costs of inequalities in the long-run, promotes people's wellbeing, and generates social and economic returns through a social golden rule.[8]

4. Address social and environmental imbalances

- The European Commission should introduce a Social Imbalance Procedure linked to the Social Scoreboard and an Environmental Imbalance Procedure. Assessing whether an EU Member State is critically declining in an area of social inclusion and social protection should be based

on the indicators of the Social Scoreboard, existing EU indicator frameworks in the context of social inclusion and social protection,[9] as well as the SDGs, the Social Pillar Action Plan targets, the Recovery and Resilience scoreboard, the methodology on reporting social expenditure etc. Member States would need to correct imbalances via the presentation of a Multiannual Action Plan, which would be monitored through the European Semester process. Any further Member State non-compliance with these plans could lead to potential sanctions.[10]

5. Uphold civil society involvement

- The European Commission must strengthen civil society involvement within EU economic governance, through the establishment of partnership agreements that engage with EU Member States, the European Commission, civil society, social partners and not-for-profit service providers, and promote social governance. They should be fully involved in selecting country-specific fiscal targets that are tailored to the socio-economic situation of the country.
- In monitoring EU economic governance and social progress via the European Semester process, the European Commission should formally recognise structured, regular civil dialogue as a necessary condition in all European Semester documents and procedures to increase dialogue between civil society organisations and all European Commission Directorate-Generals, Council configurations and advisory committees, the European Parliament, the European Economic and Social Committee, and the European Committee of the Regions.

6. Enhance EU institutional transparency

- The EU institutions and Member States must strengthen the coordination, transparency and role among EU institutions, including by providing greater surveillance powers to the European Parliament that is on equal footing to the Council of the EU,[11] and establishing a stronger role for European Commission Directorate-Generals (i.e. DG Employment, Social Affairs & Inclusion) on social and economic discussions.

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[1] As proposed by Francesco Corti, Sebastiano Sabato, Bar Vanhercke, 'The EU needs a Social Imbalances Procedure', EuVisions, 17 July 2019; see also: 'Belgian-Spanish Non Paper ahead of the Porto Social Summit', 21 April 2021.
[2] As proposed by Ludovic Suttor-Sorel, 'One Framework to Rule Them All', Finance Watch, March 2021.
[3] See Olivier Blanchard, Alvaro Leandro and Jeromin Zettelmeyer, 'Redesigning the EU Fiscal Rules: From Rules to Standards', 72nd Economic Policy Panel Meeting, 22-23 October 2020.
[4] See ETUC, BusinessEurope, SME United, SGI Europe, 'Supplementing GDP as welfare measure: proposed joint list by the European Social Partners', 3 March 2021; The Porto declaration, May 2021; OECD, Measuring Well-being and Progress: Well-being Research; EIGE, Gender Equality Index; WHO, Health Equity Policy Tool. A framework to track policies for increasing health equity in the WHO European Region – Working document, 2019; and COFACE, 'Towards an Economy which Cares', September 2021.
[5] Regulation (EU) No 1175/2011.
[6] Regulation (EU) No 1177/2011.
[7] Ludovic Suttor-Sorel, 'Navigating The Maze: A Finance Watch guide on how to reform European economic governance', Finance Watch, March 2021, p. 2
[8] Olivier De Schutter, 'Report of the Special Rapporteur on extreme poverty and human rights, Olivier De Schutter', A/HRC/47/36/Add.1, 20 May 2021, p. 13, para 51.
[9] See DG EMPL, 'EU social indicators', and Social Protection Committee Indicators Sub-group, 'Portfolio of EU social indicators for the monitoring of progress towards the EU objectives for Social Protection and Social Inclusion', 2015.
[10] See Francesco Corti, Sebastiano Sabato, Bar Vanhercke, 'The EU needs a Social Imbalances Procedure', EuVisions, 17 July 2019 and Belgian-Spanish Non Paper ahead of the Porto Social Summit', 21 April 2021 for more information.
[11] ETUC, 'ETUC resolution on a new EU Economic and Social Governance', June 2021, p. 3.