SOCIALISING THE EUROPEAN SEMESTER

Analysis & recommendations for delivering a social, green & digital Europe
Key recommendations for European Semester reform:

1. Strengthen the social dimension of the Semester process, including the coverage of groups in vulnerable situations.

2. Improve the design of the Semester process to increase stakeholder involvement.

3. Learn from the experience with the Recovery & Resilience Facility (RRF) and reform the Semester process to strengthen its monitoring of RRF implementation.

4. Reform the process in line with an economic governance review that centres on people and planet.

5. Future-proof the European Semester process by codifying it in a standalone regulation.
Introduction

The EU is experiencing several overlapping crises with severe social consequences: the COVID-19 pandemic and the Russian invasion of Ukraine, in addition to the long-term but already dire threat of the climate crisis. In addition to its direct severe impacts, the war in Ukraine has worsened food and energy prices, and thereby the existing cost-of-living crisis that many people across Europe were already struggling with. All these crises showcase the importance of decision-making at EU and national levels that focuses on the relevant priorities for the wellbeing of people.

The European Semester is a key process for monitoring progress towards agreed EU objectives, as well as for influencing reforms and investments at national level. Originally, it was created as a tool focused on the coordination of macroeconomic policies in 2011. In recent years, it has increasingly also become the central process for monitoring and steering the implementation of employment, social, and environmental policies at both EU and national levels. This is particularly the case since the incorporation of the European Pillar of Social Rights (Social Pillar) and its Action Plan.

Key observations on the 2022 Semester cycle & related recommendations

1. Social dimension of the Semester process & coverage of groups in vulnerable situations

The social dimension of the 2022 Semester increased over the course of the cycle due to Russia’s war of aggression in Ukraine and its socio-economic consequences. Compared to the 2022 Autumn Package, the Spring Package saw an increase in references to specific measures aimed at protecting groups in vulnerable situations, linked to increasing energy and food prices. Despite this, more work is needed to properly balance economic, fiscal, employment, social, and environmental priorities in the Semester process, with imbalances towards a macroeconomic focus remaining.

The Semester process currently monitors the implementation of the UN Sustainable Development Goals (SDGs), the Recovery & Resilience Facility (RRF), the Social Pillar and the various thematic equality strategies focused on supporting specific groups. It also looks at Member States’ progress in implementing various EU directives, recommendations, and other initiatives. Generally, we feel that it is positive that the Semester is taking this more holistic approach and aims to monitor these interconnected priorities together. However, the process has not been sufficiently adjusted in its design to strengthen synergies and enable it to coherently monitor all these priorities while also adequately addressing the specific situations of various population groups, especially those in vulnerable situations.
Indeed, the situations of specific groups are not coherently addressed throughout the various
documents: they are predominately addressed in the longer Joint Employment Report and
country reports and are generally missing in the shorter Annual Sustainable Growth Survey
and country-specific recommendations (CSRs). References to specific groups going beyond
the umbrella term of “groups in vulnerable situations” remain rare. This makes it difficult to
cohertently monitor the implementation of the Social Pillar and different equality strategies
and use the process to make related reform and investment recommendations.

To help with monitoring the implementation of the abovementioned instruments, strategies
and EU initiatives, the EU institutions created various new monitoring tools: the Social
Scoreboard, the RRF Scoreboard, SDG monitoring tools etc. While increased monitoring of
the social situation is positive, we see a need for clarification on how all the various
monitoring tools will work together to accurately reflect the social situation across the EU
and properly inform CSRs.

In addition, some of these tools need improvements. For example, the Social Scoreboard
requires additional headline and secondary indicators to extensively cover all 20 Social Pillar
principles. It must also better break down data by various factors, including gender, age,
etnicity, socio-economic status etc. This is necessary to properly measure the impact of
policies on various groups, particularly those in vulnerable situations. (For more information,
read our letter on the Social Scoreboard revision).

We also see room for improvement in how the implementation of the Social Pillar is analysed
in the Joint Employment Report based on the Social Scoreboard. The approach to categorise
Member States based on averages (into “Best performers”, “Better than average”, “Good but
to monitor”, “On average/neutral”, Weak but improving”, “To watch” and “Critical situations”)
is problematic. If in a certain policy area many Member States perform poorly, this approach
does not provide sufficient incentive to improve performance.

We see the proposal for a Social Imbalance Procedure as an essential step towards
improving the social dimension of the European Semester. Such a mechanism would be key
to detect social imbalances early and help address them. While the idea has been discussed
in the background for years, the Belgian-Spanish proposal put forward in 2021 brought the
idea to the forefront. Some Member States remain sceptical of or are even against the
proposal, and more work is needed to answer outstanding questions. However, several
Member States have voiced interest in participating in a pilot project. This demonstrates that
the EU and many Member States are becoming increasingly aware of the social
consequences of the various crises the EU has been facing in recent years and that
measures are needed to address them, including in the Semester process.
2. After an “extraordinary cycle”, a return to a more “regular” Semester process design & impact on stakeholder involvement

The previous 2021 cycle, which established the link with the RRF, saw some changes to the design of the process. The Annual Sustainable Growth Strategy and the remainder of the Autumn Package were each published separately. Also, Member States were asked to submit National Recovery and Resilience Plans (NRRPs) in a joint document with National Reform Programmes. Additionally, no country reports were published and Member States who had had submitted a NRRP did not receive structural CSRs.

The integration of the RRF in the 2021 Semester cycle significantly changed the involvement of social stakeholders in the process for the worse. Macroeconomic and financial actors already played a strong role in the Semester. Their influence has further increased with the introduction of the RRF, which is generally steered by economic and finance ministries or Prime Ministers' offices at national level and DG ECFIN as well as the Secretary-General at EU level. This has reduced the productive involvement of EPSCO ministries, the Social Protection Committee (SPC) and Employment committee (EMCO) as well as DG Employment. In a chain reaction, this also had an impact on the involvement of other stakeholders, such as social partners and civil society organisations (CSOs) that hold critical expertise. Various stakeholders have called out a lack of quality involvement of social CSOs in the development of the NRRPs and asked for better involvement in the implementation of the plans. (For more information, read our letter on the NRRPs and the involvement of CSOs at national level).

From a design perspective, the 2022 Semester cycle reinstated some of the features of the “regular” Semester process. The Autumn Package was published as a full package again and Member States received structural CSRs based on a gap analysis with NRRPs. Country reports also made a return but were published together with CSRs in a Spring Package rather than in a separate Winter Package.

The return to a more regular Semester cycle also increased the role of social actors at EU level again. Indeed, the EPSCO Council and the SPC and EMCO were more involved in the process, which is a welcome development. Nevertheless, structural and power imbalances with macroeconomic actors remain.

The changed timing of the country reports in the 2022 cycle reduces the possibilities for stakeholders, like CSOs, to contribute to the CSRs. In the past, this has been a key moment for national CSOs to be heard, especially as it is often easier for them to engage with the Commission through the European Semester Officers than with their own national ministries.

The structured and quality involvement of social partners and CSOs is crucial, as they can bring the voices and lived experiences of people to decision-making and make it more evidence-based and impactful. However, the approach to civil dialogue remains generally too
ad-hoc. We need structured processes across DGs/ministries with clear consultation structures, timetables, and resources for civil society involvement. In this context, it is key to ensure that European Semester Officers and Commission desk officers pro-actively reach out to CSOs and involve them in various Semester-related processes (such as input to the country reports, participation in fact-finding missions and bilateral meetings etc). Many CSOs are severely underfinanced and understaffed, especially at national level, and do not have the capacity to take initiative on a fast-moving and - in recent years - unpredictable process like the Semester. They require a pro-active, structured, clearly communicated process set up by public authorities that they can plan around and engage with. Information on planned meetings/consultations must also be made sufficiently transparent/available for interested CSOs to engage.

The Social Pillar Action Plan encouraged Member States to set up coordination mechanisms to ensure engagement of all relevant stakeholders at national level in implementing the Pillar. However, civil society is lacking information on whether Member States are implementing this recommendation. We call on the European Commission to monitor Member States’ work on developing and using these mechanisms and share this information with EU and national level CSOs.

3. Lessons from the experience with the Recovery & Resilience Facility and the monitoring of its implementation in the Semester

While the RRF is still ongoing, first signs of its impact can be observed and learned from. To access RRF grants and loans, Member States were required to put forward national recovery & resilience plans (NRRPs) detailing reforms and investment plans - as well as related milestones - that support key EU objectives. These include addressing the impact of the COVID-19 pandemic, implementing the Social Pillar and the SDGs, and making progress on just green & digital transitions. This has helped refocus Member States’ attention towards reforms and investments on these agreed objectives, encouraged by the “financial carrot” of additional EU funding.

As highlighted by the Spring Package Communication, the 2022 cycle has seen a noticeable increase in annual progress towards implementation of the 2021 CSRs compared to previous annual progress in implementing the 2020 and 2019 CSRs. This could indicate a positive impact of the RRF, whose bottom-up approach and financial incentive appear to have increased Member States’ ownership of the process. At the same time, these were only budgetary recommendations and did not look at structural employment or social reforms, which are often harder to implement.

The CSRs put forward by the Commission are generally quite broad and rarely focus on specific groups. In recent years, they have also been very similar between Member States to
address common challenges: first the impact of the COVID-19 pandemic in 2020, then recommendations on fiscal policy, NRRP implementation/cohesion policy, outstanding or new challenges (following a gap analysis based on Member States’ NRRPs) and energy policy in 2022. It is unclear how progress in implementing such broad “clustered” CSRs will be coherently monitored. As mentioned above, it is key to recommend measures that target specific groups in vulnerable situations to address the barriers to equal opportunities they face, as they are otherwise often overlooked. However, this cannot be achieved in the current set up with very few and broad CSRs. Designing multiannual CSRs with annual monitoring of progress would help Member States with implementing complex reforms.

The increased focus on reforms and investments brought by the RRF should be more strongly reflected in the Semester process. Various stakeholders have called for the National Reform Programmes to be replaced with multiannual ‘National Reform and Investment Plans’ (NRIPs) modelled after the NRRPs. Such NRIPs should require Member States to detail how they aim to turn their CSRs into practice through various reforms and investments, with targets and milestones which can be used to hold them accountable. This would help improve economic, fiscal, social and environmental policy coordination and improve the positive impact of the Semester on national policy-making.

Continuous evaluation of RRF implementation is needed to determine its full impact on policy-making at national level. This will support the EU and Member States in learning from the experience with this new tool, and help determine the necessary follow-up instrument to the RRF and related changes to the Semester process. The impact of the NRRPs we have seen so far appears to be founded on two main features that should be emulated in any follow-up instrument: firstly, they are long-term investment and reform plans that address CSRs and agreed European priorities, with clear milestones and targets for assessing the national plans which improves accountability. Secondly, the national administrations lead the design of their plans (with guidance and earmarking from the Commission), creating stronger national and political ownership. Stakeholders have already been suggesting the creation of a central investment facility post-2026 - a ‘Twin Transition Facility’ - modelled on the RRF and funded through EU-level borrowing. Such an instrument will be needed to continue supporting Member States in achieving socially just green & digital transitions.

4. Future Semester reforms to integrate the upcoming Economic Governance Review

It is expected that the design of the Semester process will continue changing, including following the upcoming reform of the EU economic governance framework.
The reform of the economic governance framework must centre on the wellbeing of people and planet. To do so, it must enable the massive long-term green and social investments needed to bring economies and people safely and fairly through the green and digital transitions. The rules must also create country-specific approaches rather than a one-size-fits-all approach to avoid a return to austerity, especially for countries with higher debt levels (For more information, read our position on the Economic Governance Review).

It will be essential that the Semester process continues monitoring Member States’ fiscal policies. The CSRs must support them in striking the right balance between creating the appropriate fiscal space and ensuring the necessary public investments in people and planet in line with the RRF and its potential successor. The NRIPs, whose creation we recommended above, should align with country-specific debt reduction pathways, CSRs, and agreed EU priorities (like the Social Pillar and Porto Social Commitment headline targets, Green Deal, REPowerEU etc.) with set-earmarking for all these priorities, including social investment (which was an unfortunate omission in the RRF). This has the potential to improve the interplay between economic and fiscal policies while facilitating the delivery of EU social, employment and climate goals.

5. Conclusion: Future-proof the European Semester process

As the Semester process is increasingly becoming the tool to monitor progress towards achieving a wide variety of EU objectives, it is essential to equip it with the right tools to enable it to fulfil its objectives. It should be strengthened by codifying it into a standalone EU regulation that could define the Semester and its thematic objectives and give more weight to the process. Setting quality standards for stakeholder consultation in the regulation, explicitly including civil society and social economy actors, would also help improve their involvement.

The most recent Eurofound “Living, working and COVID-19 e-survey” reveals mounting financial burdens to individuals and families in the EU. 28% of respondents report living in a household with difficulties making ends meet and being behind with their utility bills, while 45% of this group worry they will not be able to pay their utility bills over the next three months.

It will be crucial to continue improving the Semester process, including through the various reforms suggested above, to enable it to fully monitor progress towards the EU objectives of a just twin transition and the building of a more social Europe which ensures a decent life for all its people.
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