



**BRIEFING
#91**

Strengthening the Social Dimension of the European Semester





Executive Summary

Following the financial crisis ten years ago, austerity measures and reducing social spending have been high on the agenda for many Member States and the European Union itself. This has contributed to the notion that the EU only cares about balance sheets and economic outcomes, rather than how people have been affected and have had to struggle in these economically difficult times. This has also contributed, among other things, to distrust in the European idea and has enabled Eurosceptic and nationalists to gain ground and come to power in several Member States.

The decision makers in the European Commission, Parliament and Council must realise that social policy is one of the key areas that can restore trust in the legitimacy of the European political project. This is even more important at a time when the European idea itself is at risk. There is an urgent need therefore to follow up on the promises of the European Pillar of Social Rights. In doing so we must pave the way for delivering on the social ambitions that are so crucially important for our European societies.

The challenges on our continent seem evident but they are worth repeating: The EU suffers from a chronic social investment gap estimated at €142 billion per year in different sectors. There is a €15 billion shortfall in education and lifelong learning, €70 billion in health and long-term care and €57 billion in affordable housing¹. Many people are facing precarious working conditions and can't afford a decent life on their wages. 10% of our European workers and employees are in in-work poverty², living below the national poverty line despite being in employment.

After the 20 principles of the European Pillar of Social Rights were announced in November 2017, the monitoring of the Pillar was introduced in the form of the Social Scoreboard that sets out several indicators to measure social progress in the European Semester process. However, there has been criticism that the indicators used in the Scoreboard are not sufficient³: Data on home-

lessness and housing, child poverty and the inclusion of persons with disabilities are all lacking in the current assessment.

This briefing paper is meant to give a better understanding of the European Semester and the social dimension that has been recently included in it. Examining the 2018 country specific recommendations, it is clear that budgetary targets and competitiveness are still the Commission's main priorities. The objectives must be twofold: firstly, to truly "socialise" the Semester process and set economic and social goals on an equal footing and, secondly, to make Member States truly commit to the fight against social divisions within and beyond the EU.

Overview of the European Semester

The European Semester follows a clear timetable which is repeated each year. According to this schedule, the Member States receive EU-level guidance and then submit their policy plans ('national reform programmes' and 'stability or convergence programmes') to be assessed at the European level. Once these plans are evaluated, the Member States are given individual recommendations for their budgetary and reform policies which the countries are expected to take into account.⁴

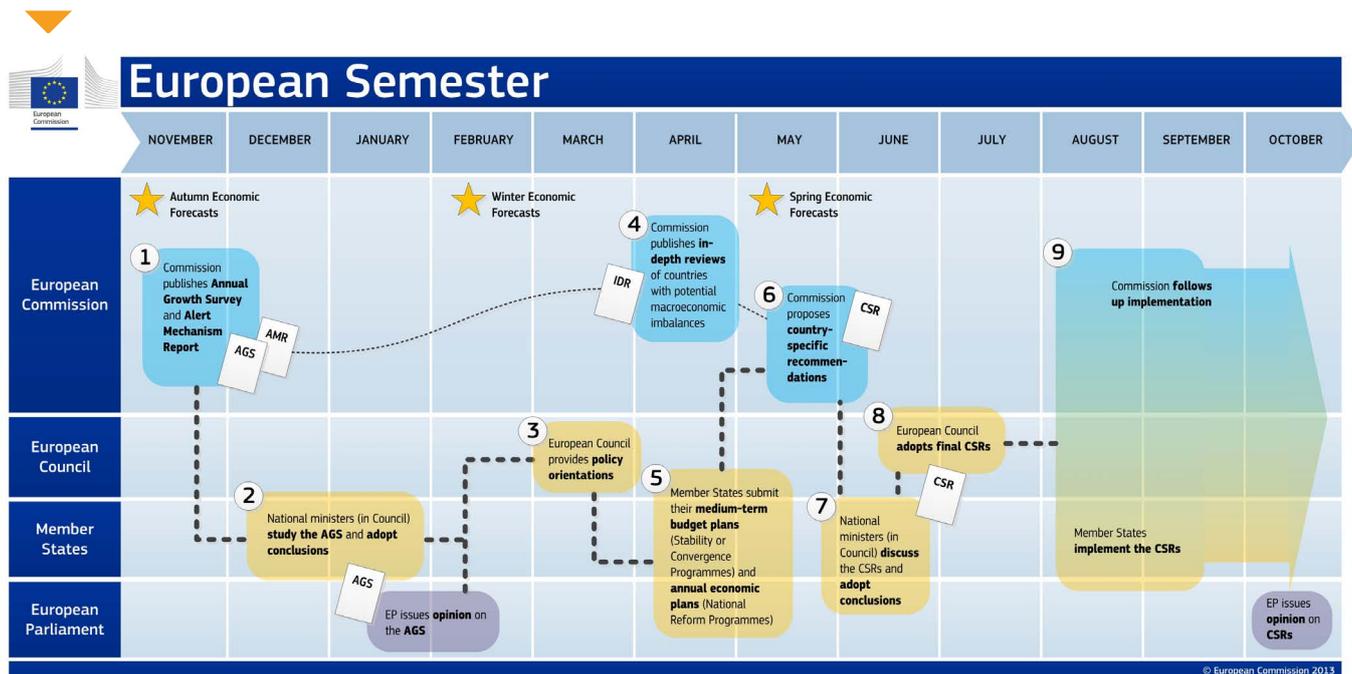
In short, the European Semester looks like this: The European Commission analyses EU countries' budgetary, macroeconomic plans and structural reforms. It provides country-specific recommendations for the Member States and monitors their progress. The Council has to endorse and adopt the proposals of the Commission, whereas the EU governments have to respond and finally enact the policy changes.

1. https://ec.europa.eu/info/sites/info/files/economy-finance/dp074_en.pdf

2. <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20180316-1>

3. <https://www.eurodiaconia.org/wordpress/wp-content/uploads/2018/05/Pub-2018-Towards-a-Social-Sustainable-and-Equitable-Europe.pdf>

4. <https://www.consilium.europa.eu/en/policies/european-semester/how-european-semester-works/>



In detail, the European Semester takes place in four phases:

1. Autumn Package (November – December):

Preparatory phase, analysis of the situation and follow-up on previous Semester (Annual Growth Survey, Alert Mechanism Report, Draft Joint Employment Report)

The Annual Growth Survey (AGS) presents the Commission’s view of EU policy priorities for the coming year. The Member States are asked to take them into account when preparing their policies for the upcoming year. At the same time, the alert mechanism report is used to review macroeconomic developments in EU countries. Following this assessment, it might be decided to undertake an in-depth review for some countries should their macroeconomic situation be deemed critical. There exists another draft recommendation particularly for the economic policy of the euro area. Similarly, the objective is to work towards a better integration of the euro area and the national dimensions of EU economic governance.

2. Winter Package (January-April):

Policy Guidance at EU level (country reports)

In this phase of the Semester, the Member States

through the Council of the EU debate the Annual Growth Survey, set out policy guidelines and adopt conclusions. The European Parliament also discusses the AGS and issues an opinion on the employment guidelines. In March, country reports are published for all Member States including the in-depth reviews of macroeconomic imbalances. The Member States are then asked to follow these guidelines and the findings of the country reports.

3. Spring Package (April- July):

Country-specific recommendations; objectives, policies and plans

In April, the Member States submit their policy plans in the format of the stability and convergence programmes (for medium-term budgetary strategy) and national reform programmes, focused on the promotion of growth and employment. In May and June, the country-specific recommendations are evaluated and finally agreed on by the Council of the EU.

4. Implementation on Member State level

After the adoption of the country-specific recommendations, the EU Member States are finally required to implement these recommendations.



What are the benchmarks for the success of social policy? – The Social Scoreboard

The Social Scoreboard is a tool developed by the European Commission to monitor and assess the EU countries' performance when it comes to achieving the aims of the European Pillar of Social Rights within the Semester process. The aim of the Social Scoreboard is to detect EU countries' difficulties in the social or employment field as well as identify improvements or disparities across countries.

The Social Scoreboard is then used and consulted to formulate the country specific recommendations for the social policy area. The performance of each country is assessed by looking at outcomes of and changes in the respective indicators, comparing them to the EU average. The countries are then categorised according to their performance in seven groups: «best performers», «better than average», «good but to monitor», «on average/neutral», «weak but improving», «to watch» and «critical situations».

The following 12 indicators⁵ have been used in 2018:

Equal opportunities and access to the labour market:

- Share of early leavers from education and training, age 18-24
- Gender gap in employment rate, age 20-64
- Income inequality measured as quintile share ratio
- At-risk-of-poverty or social exclusion rate (AROPE)
- Young people neither in employment nor in education or training (NEET rate), age 15-24

Dynamic labour markets and fair working conditions:

- Employment rate, age 20-64
- Unemployment rate, age 15-74
- Gross disposable income of households in real terms, per capita

Public support / Social protection and inclusion:

- Impact of social transfers, other than pensions, on poverty reduction (measured as the difference, among total population, between the share of people at risk of poverty rate before and after social transfers)
- Children aged less than 3 years in formal childcare
- Self-reported unmet need for medical care
- Share of population with basic overall digital skills or above.

Shortcomings of the Social Scoreboard:

Despite the very recent emergence of the Social Scoreboard, there are numerous factors that have already been criticised about this instrument. Firstly, there are many indicators and major social policy topics that are missing in the criteria. Issues such as homelessness or access to adequate housing, child poverty or inclusion of persons with disabilities are not addressed despite being part of the 20 principles of the Pillar. Furthermore, there are no indicators on decent wages or fair and stable working conditions. For the social protection and inclusion chapter, the indicators are rather scarce and do not reflect the variety of principles set out in the Pillar. More emphasis must be put on resilient and effective social protection systems, adequate long-term care and access to essential services such as water, sanitation, energy or transportation.

In terms of social impact assessment, we must see a delivery on the indicators of social policy. It is therefore clear that the Scoreboard should not only track the trends and figures but actually push towards the implementation of those by acting as a setter of tangible benchmarks. SOLIDAR and other civil society organisations⁶ stress that fundamentally important initiatives such as minimum income systems, living wages, unemployment benefits, pensions, and other social benefits must be also be included in these benchmarks. Lastly, it remains unclear how the Social Scoreboard relates to other monitoring instruments related to social indicators used in the European Semester⁷.

5. <https://ec.europa.eu/social/main.jsp?langId=en&catId=1196&newsId=9163&furtherNews=yes>

6. <https://www.eurodiaconia.org/wordpress/wp-content/uploads/2018/05/Pub-2018-Towards-a-Social-Sustainable-and-Equitable-Europe.pdf>

7. <https://www.eurodiaconia.org/wordpress/wp-content/uploads/2018/05/Pub-2018-Towards-a-Social-Sustainable-and-Equitable-Europe.pdf>



The European Semester and its Social Dimension

Particularly in the aftermath of the financial crisis, the macroeconomic governance of the Eurozone and the overall economic approach of fiscal retrenchment has overshadowed social policy ambitions. For this European Union to prove its legitimacy, we need to put the well-being of people back at the heart of our policies and not subordinate social ambitions to macroeconomic indicators. The European Union has a variety of ways to shape employment and social policy issues in Europe. The social dimension of European integration has matured over the years and has been part of the Europe 2020 strategy, which aims to ensure 'inclusive growth', high employment rates and a reduction of people living in poverty. The legal basis lies in Article 3 of the Treaty on European Union, despite major competences of social policies in the Member States. Therefore, the European Semester is certainly not the only way the EU institutions can exert pressure on Member States to improve their social policy outcomes.

Since 2011, the economic, employment and social policies of the EU countries have been monitored and coordinated through the European Semester. Initially, most of the goals were primarily focused on the economic and budgetary side such as public finances, boosting investment and structural reforms. Over the last two years, the Semester has undergone a process where more social and employment policies were considered in the country reports and recommendations. However, this process does not mean that the economic and social dimension of the Semester are now on an equal footing. In fact, despite the more social approach, this has not corrected the asymmetry between economic and social goals.

This asymmetry between economic and social employment policies has become problematic, for at least three reasons⁸:

- The legitimacy of the European project is at stake if economic indicators are more important than social ambitions and equality.

- The prioritisation of the economic goals often results in a situation where fiscal consolidation implies the deterioration of social standards or social security systems.
- What happens in one EU country affects another: social inequality and poor social protection systems have spill-over effects and undermine the overall stability of the EU.

Country Specific Recommendations 2018/2019 on Social Issues – A Snapshot of Different Countries and Recommendations

The aim of this section is to look, concretely, at the country specific recommendations of 2018 aimed at improving social policy in EU countries. The countries included in this analysis are Austria⁹, Belgium¹⁰, Bulgaria¹¹, Croatia¹², Czech Republic¹³, Estonia¹⁴, France¹⁵, Germany¹⁶, Hungary¹⁷, Italy¹⁸, Spain¹⁹. The selection of the countries corresponds to SOLIDAR's members' involvement and presence in Member States²⁰.

As already mentioned above, there is a strong discrepancy between social and macroeconomic recommendations, therefore the examples below are usually embedded in a wider range of recommendations that tend to focus on the macroeconomic level. This results in sometimes contradictory outcomes when one set of recommendation focuses on fiscal prudence and the other one on the importance of investment in the social sector. For organisations using the country specific recommendations, it is essential to also investigate the country reports and Annexe D of the set of recommendations that are a lot more comprehensive and will provide more insight into the country's challenges and reform needs.

Long-term care and pension system

Due to demographic change and longer life expectancy, the question of long-term care and pension systems are to be found in several country specific recommendations. In the recommendations for Austria it says "ensure the sustainability of the health and long-term care and the pension



8. http://www.euvvisions.eu/european-social-union-social-imbalances-procedure-corti-vanhercke-sabato/#.XM_7VHPxb5c.twitter
9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19. https://ec.europa.eu/info/publications/2018-european-semester-country-specific-recommendations-council-recommendations_en

20. Despite having a very active Danish SOLIDAR member, FIC, Denmark was not included in this comparison. The reason for this is the lack of social policy recommendation for Denmark.



systems, including by increasing the statutory retirement age and by restricting early retirement.” Similarly the report for [Belgium](#) recommends that the country should “pursue the envisaged pension reforms and contain the projected increase in long-term care expenditure.” In the [Bulgarian](#) set of recommendations, the country is urged “in line with the National Health Strategy and its action plan, to improve access to health services, including by reducing out-of-pocket payments and addressing shortages of health professionals.” For the [Czech Republic](#) it says to “improve the long-term fiscal sustainability, in particular of the pension system.” When it comes to [Croatia](#), the Commission is concerned to “discourage early retirement, accelerate the transition to a higher statutory retirement age and align pension provisions for specific categories with the rules of the general scheme.” In [Italy](#), the Commission recommends that the government should re-work its spending on social issues to “reduce the share of old-age pensions in public spending to create space for other social spending.” These examples show that the recommendations concern budgetary, health and social challenges. Long-term care and the effectiveness of the pension system remain big challenges for the Member States and will remain so for years to come. Against a solely fiscal focus, a human rights approach must be taken to ensure dignified ageing. Similarly for the recommendations on the retirement age, SOLIDAR stresses that economic and social interests must be put on an equal footing. Solutions must be found for workers with a physically demanding job, whose health and well-being might be significantly worsened with a disproportionate increase in the retirement age.

Inclusion of disadvantaged groups into labour markets and labour market reform

One major focus of the recommendations concerns skills development and the reform of labour market policies. Often these recommendations are in relation to certain societal groups. For the [Austrian](#) reports, the recommendations state: “improve labour market outcomes of women.

Improve basic skills for disadvantaged young people and people with a migrant background.” In [Belgium](#), the Commission stresses the need to “remove disincentives to work and strengthen the effectiveness of active labour market policies, in particular for the low-skilled, people with a migrant background and older workers.” The [Bulgarian](#) recommendations highlight the need to “increase the employability of disadvantaged groups by upskilling and strengthening activation measures.” The inclusion of disadvantaged groups is also important in the case of the [Czech Republic](#) to “foster the employment of women, the low-skilled and disabled people, including by improving the effectiveness of active labour market policies.” France must work on the inclusiveness of the labour market, and is asked to “foster equal opportunities and access to the labour market, including for people with a migrant background and people living in deprived areas.”

For [Italy](#), the recommendations on this topic include several dimensions. The Commission recommends to “step up implementation of the reform of active labour market policies to ensure equal access to effective job-search assistance and training. Encourage labour market participation of women through a comprehensive strategy, rationalising family-support policies and increasing the coverage of childcare facilities.” In the report for [Hungary](#), it is suggested to “unlock labour reserves through improving the quality of active labour market policies.” For [Spain](#), the topic of social issues and employment is an important one. The report highlights the need to “ensure that employment and social services have the capacity to provide effective support for jobseekers, including through better cooperation with employers. Foster transitions towards open-ended contracts.”

The recommendations for [Germany](#) in terms of working lives and wages are quite extensive. Firstly the report puts forward the recommendation to “reduce disincentives to work more hours, including the high tax wedge, in particular for low-wage and second earners.” At the same time, the report is also concerned to “take measures to promote longer working lives. Create conditions





to promote higher wage growth, while respecting the roles of social partners.” The recommendations for Croatia in terms of a wage-setting framework are more targeted at the public sector. The report proposes “in consultation with social partners, introduce harmonised wage-setting frameworks across the public administration and public services.” Ranking as the country with the highest gender pay gap²¹, the recommendations for Estonia are clear: “take measures to reduce the gender pay gap, including by improving wage transparency in the private sector.” In France, on the contrary, the Commission seems to be concerned to “ensure that minimum wage developments are consistent with job creation and competitiveness.” In Hungary, the Commission is also concerned about the quality and support for social dialogue. The report recommends that the country should “improve the quality and transparency of the decision-making process through effective social dialogue and engagement of other stakeholders and by regular, adequate impact assessments.” SOLIDAR is concerned that the constant reference and prominent focus on labour market relevance is a danger to the perception, treatment and rights of workers and employees in Europe. While labour market reform is a big priority for the Commission, far too few recommendations focus on the importance of decent wages, working conditions and social rights. Moreover, there is almost no emphasis on social dialogue and the involvement of workers. This is a serious shortcoming of the process and the overall strategy of the European institutions in social and employment policy.

Education and training

The topic of skills development in connection with education and training is found in a variety of country specific recommendations. While the increase in such recommendations is generally welcome, we must make sure that young people and people in training are not only regarded as the future workforce and human capital but as members of society with a diverse set of human abilities and interests. In a number of countries,

the education recommendations include the successful integration of disadvantaged groups in the respective Member State. In Bulgaria and Hungary, emphasis is put on their Roma communities. Bulgaria: “Improve the provision of quality inclusive mainstream education, particularly for Roma and other disadvantaged groups.” Hungary: “Improve education outcomes and increase the participation of disadvantaged groups, in particular Roma, in quality and inclusive mainstream education.” Similarly in the Czech Republic, an emphasis is put on inclusive education: “Strengthen the capacity of the education system to deliver quality inclusive education, including by promoting the teaching profession.” In Germany, it says to “improve educational outcomes and skills levels of disadvantaged groups.”

The recommendations for Spain in the education and training field are numerous and combine two set of ideas, firstly to tackle disparities in educational outcomes and secondly to make education and research more suitable for business purposes. The report recommends to “reduce early school leaving and regional disparities in educational outcomes, in particular by better supporting students and teachers. Increase public investment in research and innovation and systematically carry out evaluations of support policies in this area to ensure their effectiveness. Increase cooperation between education and businesses with a view to mitigating existing skills mismatches.” The connection to the market relevance of education and training is mentioned in Croatia’s set of recommendations: “deliver on the reform of the education and training system to improve its quality and labour market relevance for both young people and adults.” Very similar to Croatia, an emphasis is put on the market relevance of its education and training, while France is asked to “pursue the reforms of the vocational education and training system to strengthen its labour market relevance and improve access to training, in particular for low-qualified workers and job seekers.” In Italy, the recommendation to improve the education and training system is also linked to the requirements of the labour market: “Foster research, innovation, digital skills and



21. https://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_pay_gap_statistics



infrastructure through better-targeted investment and increase participation in vocational-oriented tertiary education.” In Belgium, it is stated more generally to “pursue the education and training reforms, including by fostering equity and increasing the proportion of graduates in science, technology, engineering and mathematics.” SOLIDAR welcomes the objective of including disadvantaged and disenfranchised groups in society and therefore also into the labour market. As mentioned in the previous section, a human centred approach rather than an economic one must be pursued. Investment in education must not be regarded as a means to an end for economic growth but must be substantially motivated by the aspiration to improve peoples’ lives and well-being and build social cohesion.

Tax system and taxation on labour

Reform of taxation laws was found in a few of the countries studied. The Commission urges that taxation systems must be simplified and tax expenditure must be made more efficient. For France, the European Commission recommended in 2018 to “simplify the tax system, by limiting the use of tax expenditure, removing inefficient taxes and reducing taxes on production levied on companies.” In Bulgaria, it similarly states to “improve tax collection and the efficiency of public spending, including by stepping up enforcement of measures to reduce the extent of the informal economy.” While these recommendation for France and Bulgaria are more generic, the Commission recognises that the shift away from disproportionately taxing labour is important. In Italy, the report says to “shift taxation away from labour, including by reducing tax expenditure and reforming the outdated cadastral values.” In Austria, the topic of taxation is also mentioned: “reduce the tax wedge, especially for low-income earners, by shifting the tax burden to sources of revenue less detrimental to growth.” While the advice to remove the tax burden for low-income earners is a favourable move, it seems ambiguous to ask to move the burden to sources ‘less detrimental to growth’. In the German report it

even says to “improve the efficiency and investment-friendliness of the tax system”. The discrepancy between economic and social goals is particularly visible in the field of taxation. SOLIDAR would have wanted to see more recommendations that push for a reduced financial burden for workers with low incomes. Taxation of labour must be reduced to allow for higher employment and a higher disposable income and to counteract stagnant wage development all over Europe²².

Social security systems and minimum income

A limited number of countries have also received recommendations on improving their social security systems and introducing minimum income. Bulgaria, for example, was asked to “introduce a regular and transparent revision scheme for the minimum income and improve its coverage and adequacy.” Croatia was recommended to “consolidate social benefits and improve their poverty reduction capacity.” The Estonian recommendations focused on the improvement of “the adequacy of the social safety net, in particular for older people and people with disabilities.” In Hungary, policy action must be made to “improve the adequacy and coverage of social assistance and unemployment benefits.” The Spanish report mentions the need to “improve family support and increase the effectiveness of income guarantee schemes, by addressing coverage gaps, simplifying the system of national schemes and reducing disparities in access conditions to regional ones”. On the whole, however, the recommendations on social security systems and minimum income must be a lot more numerous than at present. We see that a lot of topics have not been touched on or not with enough emphasis. There needs to be more focus on childcare and the fight against child poverty, enhanced social protection for the most disadvantaged groups as well as addressing the problem of homelessness. It is also surprising that little consideration has been put on the social aspect of health: its quality, accessibility and affordability for all groups of society. SOLIDAR notes that in the field of social security systems and the effective fight against poverty, the spillover effects in the EU are made even more



22. <https://www.oecd.org/newsroom/rising-employment-overshadowed-by-unprecedented-wage-stagnation.htm>



visible. Adequate schemes and positive social outcomes in one country will positively affect the EU as a whole. This is another reason why we need increased attention to the amelioration of minimum standards that contribute to the overall social cohesion of the EU.

Conclusion and Recommendations

Through the European Semester, the EU has an increasingly important role in analysing and steering national economic and social policies. At the beginning of his mandate, Commission President Jean-Claude Juncker proclaimed that “a social triple A” is as important as an economic one. To follow up this statement with action, it is clear that the European Union needs more binding tools for social policy. Besides the fight against climate change, social policy is the area where European citizens expect the EU to deliver the most²³. Now it is the time, more than ever, to prove the EU’s legitimacy in bringing people together and working for this common goal of social cohesion within and among Member States.

Our analysis of the country specific recommendations for a set of Member States has shown that the main social policy recommendations can be clustered into the fields of:

- Long-term care and pension systems
- Inclusion of disadvantaged groups into the labour market and labour market reform
- Education and training
- Tax systems and taxation on labour
- Social security systems and minimum income

SOLIDAR advocates for the involvement of the European Union through policy initiatives and recommendations that stress the notion of social investment rather than labour market relevance. Many of the social policy recommendations in the European Semester relate in some way or another to employment, (labour) market relevance or

fiscal consolidation. This is particularly true for the recommendations on pension systems, labour market reform, education and skills development. SOLIDAR stresses the need to adapt the recommendations with an increased emphasis on decent wages, working conditions and social protection. Moreover, social dialogue and involvement of workers must be given more emphasis.

SOLIDAR is convinced that the European Semester must contribute to the improvement of social minimum standards and therefore enable social convergence across all Member States. Furthermore, the Commission must work towards a framework that includes more binding mechanisms for the social policy recommendations for Member States. SOLIDAR acknowledges that the Semester has been partially ‘socialised’, but has not tackled the persistent asymmetry and discrepancy between economic and social goals. The question arises as to whether social policies are seen as a means rather than an end for our societies. SOLIDAR insists that people, as individuals, with all their abilities, interests and potential must be brought back into the centre of all policy decisions rather than the mere notion of a ‘workforce’ that contributes to economic growth.



23. <https://www.euractiv.com/section/future-eu/news/average-citizens-want-a-europe-that-focuses-on-climate-and-social-issues/>

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