SWP Research Paper

Björn Hacker

The European Pillar of Social Rights: Impact and Advancement

Somewhere between a Compass and a Steering Tool

Stiftung Wissenschaft und Politik
German Institute for International and Security Affairs

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- Social Europe is back on the political agenda — as a result of severe economic crises, prior austerity policies and a change in the European discourse framework.
- Six years after being announced, the European Pillar of Social Rights — although legally non-binding — has become the central reference point for social policy projects at the EU level. Slowly but steadily, the EU's social situation is improving, although major divergences remain.
- In the Member States, the Pillar and its accompanying Social Scoreboard are used only erratically. Social investments and reforms financed through the Recovery and Resilience Facility are only partly oriented towards social deficits.
- At the same time, European crisis management during the pandemic contributed to the implementation of the Pillar of Social Rights. This success was made possible by financially supported instruments such as the SURE short-time working scheme loans.
- The implementation of the Pillar could be stabilised through a series of measures. It would be advisable to use the indicators of the Scoreboard in a more targeted way at the national level, to develop SURE into a European unemployment insurance scheme, to set up a procedure on social imbalances and to create scope for social investments in the Stability and Growth Pact.

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The European Pillar of Social Rights: Impact and Advancement. Somewhere between a Compass and a Steering Tool

The question about the social dimension of the European integration process is not new. But for a while now it has been experiencing a political revival that has not been seen for a long time outside of expert circles. This is due to social distortions and divergences that have become apparent during the course of the rapid succession of economic crises over the last 15 years. The neoclassical economic paradigm and its market-driven understanding of the welfare state are too entrenched, the gap between market-creating and market-correcting integration is too deep, and the approaches of social policy coordination that have been launched since the mid-1990s are too weak.

This is also where the European Pillar of Social Rights (EPSR) is primarily positioned. Its 20 principles were announced in 2017 by the European Parliament, the European Council and the European Commission as possible objectives for establishing a comprehensive social union. The Pillar is legally non-binding, does not bring about any changes in competences between the supranational and Member State levels, and only brings with it a scoreboard of social indicators as a supporting instrument for its implementation — aspects that make it appear primarily as a rhetorical attempt to bring attention back to the social element. Since the announcement of the EPSR six years ago, the Commission has not missed an opportunity to refer to these principles in the European Union's (EU) regulatory, distributive and coordinating social policies. Most Member States, on the other hand, have reacted cautiously to the new instrument. It is true that in the National Reform Programmes (NRPs) they sent to Brussels, governments regularly paid lip service to how welcome the existence of the EPSR was. But very few of them used the indicators of the Social Scoreboard to identify and analyse the social deficits and challenges in their own countries more precisely. Therefore, the EPSR was not able to serve more than as a vague compass in its first three years.

This changed in 2020 when the EU responded to the Covid-19 pandemic and its socio-economic consequences with several drastic steps. It removed budgetary restrictions by suspending the Stability and Growth Pact before creating a European support instrument for short-time work: the Support to Mitigate Unemployment Risks in an Emergency (SURE). In addition, the Next Generation EU reform and investment package was launched — 750 billion euros in pan-European crisis and structural aid, which is jointly financed, needs-oriented and largely based on financial transfers that do not have to be repaid. In addition, in the social sector, an Action Plan for the EPSR was presented at the EU Social Summit in Porto 2021. It contains three binding quantitative targets: to increase employment rates, to increase participation in training, and to combat poverty and social exclusion.

In view of this innovative crisis management approach, the question arises as to whether the new financially backed instruments are the previously missing complement to the EPSR. Beyond mere rhetorical references, is the Pillar now in a position to reveal the potential attributed to it for improving the social situation? Can a boost for social progress also be expected in the context of the pandemic fight and the Next Generation EU package — in addition to the explicit investments in and reform goals of the ecological and digital twin transformations? Will the governance of the Recovery and Resilience Plans (RRPs) in the European Semester lead to a better balance between economic and social objectives? And is the EPSR and its accompanying Social Scoreboard now more visible in each nation's welfare state?

In order to give the long-neglected social dimension of the integration process a boost, not only symbolically but in real terms, the EPSR should be continually used by the Member States and its implementation subject to rigorous monitoring. Since Porto, the right path has been taken with three quantitative target values; additional social indicators should follow, especially in the area of fair working conditions. And: The Pillar will remain unclear as long as there are no national (parliamentary) debates on how one's own country is performing in the European comparison for the Social Scoreboard. To generate such discussions, a procedure on social imbalances should be introduced. The social investment and reform plans of the Member States as part of the Next Generation EU, which are still tentative and not rigorous enough in some places, would thus become more binding and better aligned with identified social deficits and challenges.

Central to ideas about a European Social Union that would complement economic integration and make it more functional, however, is not the addition of social rights, principles or objectives. If the EPSR is to be used in the long term to secure a specific European Social Model linking the welfare worlds, it must be underpinned with financial resources beyond its coordinating character. Social vulnerability during major economic downturns could be mitigated if the crisis instrument SURE were developed into a European unemployment insurance scheme. In addition, social progress that can be measured at the European level also requires budgetary leeway for the Member States to be able to invest in growth, the future and social issues. This must be considered in the reform of European economic governance and the Stability and Growth Pact, as well as during discussions on earmarked facilities following the Next Generation EU, with which strategic goals are supported.

A European pillar for social policy

The severe euro crisis from 2010 onwards resulted in an economically "wasted decade".[1] This was also a consequence of the mismanagement of the crisis, which was oriented towards competitiveness, budget stabilisation and austerity,[2] and thus contributed to the intensification of social divergences.[3] These, in turn, were a major reason why there was increased criticism that challenged the triumph of neoliberal paradigms while also calling for a better economic understanding of social policy. Especially in the crisis countries of southern Europe, unemployment and poverty rates skyrocketed, while across the EU, right-wing populist and anti-European parties made themselves the guardians of the social grail within the borders of their own nations. Against this background, the social question also returned at the supranational level.[4] "Social Europe coming out from the cold" was how Anton Hemerijck and Robin Huguenot-Noël described this development.[5]

1 Alexander Herzog-Stein, Patrick Nüß, Ulrike Stein and Nora Albu, *Arbeits- und Lohnstückkostenentwicklung. Ein gespaltenes Jahrzehnt geht zu Ende – enorme Herausforderungen warten*, IMK Report 158 (Düsseldorf: Institut für Makroökonomie und Konjunkturforschung [IMK], June 2020), 18 (translation by the author).

2 Paul de Grauwe and Yuemei Ji, "Correcting for the Eurozone Design Failures: The Role of the ECB", *Journal of European Integration* 37, no. 7 (2015): 739–54.

3 László Andor, "The Impact of Eurozone Governance on Welfare State Stability", in *A European Social Union after the Crisis*, ed. Frank Vandenbroucke, Catherine Barnard and Geert De Baere (Cambridge: Cambridge University Press, 2017), 143–59. See also the contributions in *Social Europe – A Dead End. What the Eurozone Crisis Is Doing to Europe's Social Dimension*, ed. Arnaud Lechevalier and Jan Wieglohs (Copenhagen, 2015).

4 Amandine Crespy, *The European Social Question. Tackling Key Controversies* (Newcastle upon Tyne, 2022).

5 Anton Hemerijck and Robin Huguenot-Noël, *Resilient Welfare States in the European Union* (Newcastle upon Tyne, 2022).

The construction of the EPSR

The European Semester has gradually undergone a partial "socialising" through various initiatives. The 2012 European Youth Guarantee against youth unemployment, which had risen to levels of more than 50 per cent in Spain and Greece, was one of the relevant initiatives. The Social Protection Performance Monitor (SPPM) also emerged in the same year. At the same time, social policy actors – such as the Labour and Social Affairs Ministers and the Commission's Directorate-General for Employment, Social Affairs and Inclusion – became better integrated into the process of European economic governance vis-à-vis their economic and financial policy counterparts.[6]

Since 2011, the European Semester has become the central venue for soft policy governance in the EU. It brings together socio-economic priority-setting by the Commission, reform plans by the Member States, the monitoring of progress and the submission of recommendations by the Council in a process that starts anew every year. The latter – the so-called Country-Specific Recommendations (CSRs) – experienced a growth in the areas of social, employment and education policy. In 2016, the Commission presented a first draft for the European Pillar of Social Rights before the three EU institutions – Parliament, Council and Commission – and officially announced the EPSR at a social summit in Gothenburg, Sweden, on 17 November 2017. The document comprises three chapters: "Equal opportunities and access to the labour market", "Fair working conditions" and "Social protection and inclusion". It sets out a total of 20 principles, which cover, among other things, social benefits, working conditions, education opportunities,

6 Jonathan Zeitlin and Bart Vanhercke, "Socializing the European Semester: EU Social and Economic Policy Co-ordination in Crisis and Beyond", *Journal of European Public Policy* 25, no. 2 (2018): 149–74.

Table 1

The European Pillar of Social Rights: Themes of the 20 principles

Chapter 1 *Equal opportunities and access to the labour market*	*Chapter 2* *Fair working conditions*	*Chapter 3* *Social protection and inclusion*
1. Education, training and life-long learning	5. Secure and adaptable employment	11. Childcare and support to children
2. Gender equality	6. Wages	12. Social protection
3. Equal opportunities	7. Information about employment conditions and protection in case of dismissals	13. Unemployment benefits
4. Active support to employment	8. Social dialogue and involvement of workers	14. Minimum income
	9. Work—life balance	15. Old-age income and pensions
	10. Healthy, safe and well-adapted work environment and data protection	16. Health care
		17. Inclusion of people with disabilities
		18. Long-term care
		19. Housing and assistance for the homelessness
		20. Access to essential services

Source: European Parliament et al., *European Pillar of Social Rights* (see note 7).

and inclusion policies, promoting or requiring appropriate access, quality and/or coverage (see Table 1 for the themes of the EPSR).[7]

Despite the legal rights it postulates in the 20 principles, the Pillar is not legally binding as a document in its own right. It summarises parts of the Union's social acquis (e.g. on gender equality and anti-discrimination), but it goes far beyond this by addressing areas that are the responsibility of the Member States (e.g. on education, wage or pension policies). The preamble of the EPSR proclaims unequivocally: "At Union level, the European Pillar of Social Rights does not entail an extension of the Union's powers and tasks as conferred by the Treaties. It should be implemented within the limits of those powers."[8] Nevertheless, the EPSR has succeeded in creating a new point of reference for the discursive debate on Social Europe.[9] The Commission has played a considerable part in this, because in its regulatory initiatives it uses the Pillar as a reference in all conceivable social policy contexts. Parliament and the Council usually incorporate these references to the EPSR, so that its principles appear thematically as a context of justification in European legislation. This applies, for example, to secondary legislation projects, such as the regulation on the establishment of a European Labour Authority, which the Council adopted in June 2019; the recommendation adopted by the Council in June 2021 to introduce a child guarantee to combat child poverty; and the directive on adequate minimum wages in the EU, which the Council adopted in October 2022.

The EPSR also plays a role in the area of distributive social policy. Here it has found its way into the

7 European Parliament, Council of the European Union, European Commission, *European Pillar of Social Rights* (Luxembourg: Publications Office of the European Union, 2018), https://commission.europa.eu/document/download/e03c60e7-4139-430b-9216-3340f7c73c20_en?filename=social-summit-european-pillar-social-rights-booklet_en.pdf (accessed 18 October 2023).

8 Ibid., para. 18.

9 Bruno de Witte, "Two Charters and a Pillar. The Slow Constitutionalization of Social Rights in European Law", in *Constitutionalism under Stress*, ed. Uladzislau Belavusau and Aleksandra Gliszczyńska-Grabias (Oxford: Oxford University Press, 2020), 191—202 (200).

programme planning and administration of the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the Cohesion Fund and the Just Transition Fund. For the funding period 2021 to 2027, the fourth of five policy objectives was defined as "a more social and inclusive Europe implementing the European Pillar of Social Rights".[10] Member States are required to adhere to this when preparing programmes; the EU provides detailed areas of intervention and criteria to be taken into account. These refer to the objectives of the EPSR regarding active labour market policies, gender equality, education and training, social inclusion and poverty reduction, or health care and long-term care, for example.[11] Accordingly, the partnership agreements of the Member States concluded with the Commission refer to their contributions towards the fulfilment of the social funding objective, and progress in the implementation of the EPSR is to be evaluated in the 2025 mid-term review.[12] Already in the previous funding period that began in 2014, a trend towards conditionality could be observed in the context of economic policy coordination.[13] In line with this, the Cohesion Fund regulation makes it clear that national investment plans are conditional on the reform priorities identified in the European Semester.[14]

This indicates that the coordination of social policy is the main focus of EPSR implementation. With the European Semester, a well-established process already existed that could be expanded in its social component. In order to operationalise the EPSR in the annual cycle of policy coordination, it was equipped with an accompanying Social Scoreboard in 2017. The 17 (originally 14) headline indicators, which are supplemented by additional sub-indicators, form the reference framework for the Commission to measure social progress.[15] The indicators of the Social Scoreboard are structured according to the three chapters of the EPSR. Following a revision in 2021, 18 of the 20 principles are now covered by indicators.[16] While the Commission immediately incorporated references to the EPSR into the 2017/18 European Semester cycle — taking into account all reports and recommendations for which it was responsible — the Member States reacted cautiously. In the NRPs they submitted to Brussels in spring 2018, 16 of them did not mention the new instrument at all; only four governments dealt with individual principles and indicators in more detail and associated them with social development in their own countries.[17]

The EPSR during the pandemic

The test for the EPSR started with the Covid-19 pandemic in 2020. It was necessary for health measures to be coordinated at the European level to contain it and for the initially unilateral border closures to be coordinated within the internal market. Above all, however, the Community had to react to the economic consequences of the lockdowns. Although it was an unthinkable move in previous crises, the Council suspended the Stability and Growth Pact with the escape clause in March 2020 to give Member States the necessary budgetary leeway for countermeasures.[18] The Next Generation EU package shifted

10 "Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021", *Official Journal of the European Union* (30 June 2021), L 231, 159—706, Art. 5 (1)d, L 231/184.

11 See ibid., Annex IV, 333—42.

12 Ibid., Art. 18 (1)c.

13 Peter Becker, *Konditionalität als Instrument europäischer Governance. Typen, Ziele, Implementierung*, SWP-Studie 6/2022 (Berlin: Stiftung Wissenschaft und Politik, May 2022), 14—18, doi: 10.18449/2022S06.

14 "Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021" (see note 10), paras. 15, 161.

15 European Commission, *Commission Staff Working Document. Social Scoreboard. Establishing a European Pillar of Social Rights*, SWD(2017) 200 final (Brussels, 26 April 2017).

16 Eurostat, *Social Scoreboard*, https://ec.europa.eu/eurostat/web/european-pillar-of-social-rights/scoreboard (accessed 20 October 2023). An overview of the headline indicators can be found in Tables 3—5 of this paper (pp. 24, 25, 26), see supplementary note 80. Not covered so far are principles 7 ("Information about employment conditions and protection in case of dismissals") and 8 ("Social dialogue and involvement of workers") in Chapter 2 of the EPSR. The Employment Committee and the Social Protection Committee are working on further additions, as is the Commission. See European Commission, *Proposal for a Joint Employment Report from the Commission and the Council*, COM(2022) 783 final (Strasbourg, 22 November 2022), 34—39.

17 Björn Hacker, *A European Social Semester? The European Pillar of Social Rights in Practice*, Working Paper 2019.05 (Brussels: European Trade Union Institute, 2019), 27—33.

18 The pact was supposed to apply again from 2023, but was suspended until the end of 2023 in view of new challenges in the wake of the Ukraine war.

from the course that had been pursued during the euro crisis, which was to focus on the responsibilities of individual Member States and prioritise austerity measures. Instead, the EU took a completely new path. The Community's indebtedness makes it possible to provide a total of 750 billion euros in financial transfers and loans. The majority of this will be allocated to Member States through the newly established European Recovery and Resilience Facility (RRF) — also according to criteria of socio-economic impact.[19] The central condition is that a Recovery and Resilience Plan (RRP) is approved, in coordination with the Commission, which provides for investments and reforms until 2026. The policy areas to be covered are (1) green transition, (2) digital transformation, (3) "smart, sustainable and inclusive growth", (4) social and territorial cohesion, (5) "health, and economic, social and institutional resilience" as well as (6) policies for the next generation, including in the education sector.[20] Thus, in the disbursement of the allocated funds, which takes place between 2021 and 2023, the EU combines cyclical support with the structural objectives of the Community. The European Semester was chosen as the coordination instrument for the extraordinary financial assistance. With slightly adjusted specifications for mutual reporting, the monitoring of RRP implementation was integrated during the 2020/21 cycle.[21]

During the pandemic, it quickly became clear just how much the economic slump of 2020 was impacting social consequences. An increase in unemployment was to be cushioned by introducing short-time work rules in the Member States. The short-term "instrument for temporary support to mitigate unemployment risks in an emergency" (SURE)[22] supplements national short-time work measures with a total volume of 100 billion euros on a loan basis. In addition, it became apparent as to which population groups were particularly vulnerable during the pandemic. For them, the existing rules on social policy benefits may not have been sufficient.[23] These include children and adolescents due to day-care and school closures; single parents due to the need for homeschooling; women due to the disproportionate number of child-rearing and caregiving tasks assigned to them and the often high proportion of part-time employment; people with disabilities due to their often insufficient integration into the labour market; people with a migration background and those with a low level of education due to often precarious employment situations, poor digital equipment or lack of skills; as well as the self-employed without sufficient protection through social insurance. Labour market, education, health and social policies are to be taken into account by the Member States in their RRPs; the contribution of the planned measures to the implementation of the EPSR is also called for several times in the regulation establishing the European RRF.[24]

With the Social Summit in Porto on 7 and 8 May 2021, the EU intensified its efforts to take the social dimension into account during the pandemic and at the same time focussed on the additional social challenges of the ecological and digital twin transformations of the EU. The Commission is using the EPSR as an instrument for this and giving high priority to its

19 In addition to economic performance and population size, unemployment in the period from 2015 to 2019 (i.e. before the start of the pandemic!), the decline in GDP in 2020 and the overall decline in GDP in 2020/21 all play a role in determining the level of grants.

20 "Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility", *Official Journal of the European Union* (18 February 2021), L 57, 17—75. On the vagueness of the concept of resilience, see Bettina Rudloff, *Wirtschaftliche Resilienz: Kompass oder Catchword? Welche Fallstricke und Folgeeffekte die EU im Krisenmanagement beachten muss*, SWP Studie 1/2022 (Berlin: Stiftung Wissenschaft und Politik, February 2022), doi: 10.18449/2022S01.

21 In 2020, Member States could submit simplified NRPs with a focus on pandemic response; in the following year, the NRPs and RRPs had to be submitted in an integrated manner. These were evaluated by the Commission instead of the Country Reports for 2021, and the publication of CSRs was waived altogether in 2021 (the CSRs from 2019 and 2020 continued to apply). Since 2022, Member States also report on progress in implementing the RRPs in their NRPs; Country Reports and CSRs address key socio-economic challenges of the respective countries.

22 "Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the *COVID-19* outbreak", *Official Journal of the European Union* (20 May 2020), L 159, 1—7.

23 European Commission, *Labour Market and Wage Developments in Europe, Annual Review 2020* (Luxembourg, 2020), doi: 10.2767/61049.

24 See e.g. "Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility" (see note 20), Art. 4 (1); Art. 18 (4)c and o; Art. 19 (3)c.

Table 2

EU social objectives for 2030

	2016	*2021*	*Target 2030*
Employment rate (20 to 64-year-olds) (%)	69.6	73.1	78.0
Adult participation in learning in the last 12 months (25 to 64-year-olds) (%)	43.7	–	60.0
Number of people at risk of poverty or social exclusion ('000) (AROPE)	103,556	95,387	77,201

The indicator for continuing education was last collected in 2016. The third target aims to reduce the number of people experiencing poverty or social exclusion by at least 15 million compared to 2019 levels. See Council of the European Union, *National Targets One Year after the Porto Social Summit – Exchange of Views,* 9519/1/22, Brussels, 31 May 2022.

Source: European Commission, *Proposal for a Joint Employment Report from the Commission and the Council* (see note 16), 25—29; Eurostat (data codes TEPSR_WC110, TRNG_AES_101, ILC_PEPS01N — as of 19 April 2023); own calculations.

implementation in a corresponding Action Plan.[25] In Porto, the Member States agreed on achieving the quantitative targets by 2030, which the Commission had proposed for three indicators in the areas of employment, training and poverty reduction (see Table 2). This has made it possible to prioritise social issues retrospectively.[26]

By strengthening the EPSR, the Commission is raising the social dimension of the EU's crisis policy to a higher level, as the quantitative targets now complement the existing targets in place in the areas of climate protection and digitalisation for Member States' investment and reform plans in the framework of the Next Generation EU. In the Porto Declaration, the heads of state and government commit themselves to the EPSR being a fundamental element of crisis policy: "The European Pillar of Social Rights is a fundamental element of the recovery. Its implementation will strengthen the Union's drive towards a digital, green and fair transition and contribute to achieving upward social and economic convergence and addressing the demographic challenges."[27]

At the same time, the Commission's Action Plan emphasises the high relevance of the European Semester for the application of the EPSR with the quantitative targets — for the implementation of which Member States were each invited to define their own national targets[28] — and a revised and extended version of the Social Scoreboard: "Since 2018, the principles of the Pillar have been mainstreamed across the entire European Semester cycle. Member States should report on the implementation of the Pillar in their National Reform Programmes."[29] This call is shared in principle by Member States. The Porto Declaration explicitly welcomes the intensification of the implementation of the EPSR and the monitoring of progress made "as part of the policy coordination framework in the context of the European Semester".[30]

25 European Commission, *The European Pillar of Social Rights Action Plan* (Brussels, 2021), doi: 10.2767/45.
26 Lázló Andor, *The Lights of Porto: The EU Social Season and Its Aftermath*, IMK Study no. 75 (Düsseldorf: Macroeconomic Policy Institute, January 2022), https://www.boeckler.de/en/faust-detail.htm?sync_id=HBS-008225 (accessed 20 October 2023).
27 European Council, "The Porto Declaration", press release, 8 May 2021, para. 4, https://www.consilium.europa.eu/en/press/press-releases/2021/05/08/the-porto-declaration/ (accessed 20 October 2023).
28 The Member States complied with this in 2022. For each of the three indicators, they submitted targets for the employment rate by 2030, the share of adults in further training and the reduction of the rate of people at risk of poverty or social exclusion. These values are shown in European Commission, *Proposal for a Joint Employment Report from the Commission and the Council* (see note 16), 26.
29 European Commission, *The European Pillar of Social Rights Action Plan* (see note 25), 37.
30 European Council, "The Porto Declaration" (see note 27), para. 6.

The difficult state of Social Europe

Statements by European leaders on the social dimension of the EU are often formulated as declarations of intent in favour of a level of integration that is still far off or invoke the social as an important aspect of the unification process. For example, as early as 1988, the then EU Commission President, Jacques Delors, spoke of "preserving and strengthening our unique European social model" under the programmatic title "Construire l'Europe sociale".[31] One of his successors in office, Jean-Claude Juncker, declared in 2014: "What I want is for Europe to have a social triple-A rating: that is just as important as an economic and financial triple-A rating."[32] And the current Commission President, Ursula von der Leyen, referred in 2021 to "our unique social market economy" and the need for "Europe's social promise to be filled with life".[33]

However, social policy was never a core area of European integration, instead it was part of the canon of policies establishing the sovereignty of Member States.[34] The fact that it was established at the supranational level was primarily an addendum to the major projects of economic integration. It is therefore not surprising that the President of the European Commission identifies a potential for development in this area. When calls are made to secure or establish the European Social Model, to establish a social dimension of the EU or to realise a European Social Union, this can essentially be traced back to three questions irregularly directed at the integration process:

- *Normative:* Is there a connecting element between the welfare states of each nation that is constitutive for defining the social dimension of the EU?
- *Functional:* Are social policies at the Community level necessary to fully benefit from realised or planned integration projects?
- *Discursive:* Does the social situation and new social challenges create a need for increased European activity?

The normative level: Paradigms of European social policy

Answers to the normative question start with the socio-economic commonalities between the EU Member States. If one sticks to the best-known differentiations, these differ according to liberal and coordinated market economies[35] as well as the varieties of liberal, conservative, social democratic and rudimentary welfare state models.[36] However, there are obvious commonalities in the origins of national communities of

31 Jacques Delors, "'Construire l'Europe sociale'. Au Congrès des Syndicats britanniques à Bornemouth, le 8 septembre 1988", in idem, *Le Nouveau concert européen* (Paris, 1992), 66–70 (66) (translation by the author).

32 Jean-Claude Juncker, "Time for Action – Statement in the European Parliament Plenary Session ahead of the Vote on the College", 22 October 2014, https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_14_1525 (accessed 20 October 2023).

33 Ursula von der Leyen, "Speech by President von der Leyen at the Porto Social Summit", Porto, 7 May 2021, https://ec.europa.eu/commission/presscorner/detail/en/speech_21_2342 (accessed 20 October 2023).

34 See the overview in Peter Becker, *Europas soziale Dimension. Die Suche nach der Balance zwischen europäischer Solidarität und nationaler Zuständigkeit*, SWP-Studie 21/2015 (Berlin: Stiftung Wissenschaft und Politik, November 2015), https://www.swp-berlin.org/publikation/europas-soziale-dimension (accessed 20 October 2023).

35 Peter A. Hall and David Soskice, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001).

36 Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Princeton, NJ: Princeton University Press, 1990); Stephan Leibfried, "Towards a European Welfare State? On Integrating Poverty Regimes into the European Community", in *Social Policy in a Changing Europe*, ed. Zsuzsa Ferge (Frankfurt, 1992), 245–79.

solidarity[37] and correspondingly identical basic principles. These include a state that is capable of intervention, which organises the ordering, limitations and regulation of market-based competition, and maintains social cohesion — even across class boundaries — through financial redistribution. Other elements are the social and labour status of employees; social protection based on taxes and/or contributions to counterbalance the risks of unemployment, illness and old age; as well as the prevention of extreme poverty.

Competition between welfare states developed through European economic integration.

The sum of national commonalities has not yet created a European model, but in the past, various economic and welfare paradigms drew on this to develop unifying policies. In the 1960s and 1970s, the Keynesian interventionist state focussed not only on economic but also social prosperity.[38] This paradigm was not afraid of contact with macroeconomic control at the Community level. Integral components of the unrealised first attempt at a European monetary union would have been wage coordination, demand-side management, employment policy and tax harmonisation, as well as financial transfers to ward off asymmetric shocks, and an official body for economic policy-making.[39] They would not only have touched on the social concerns of the Member States, but would also have given them a strong European contour.

In a far more concrete way, the neoclassical paradigm that prevailed from the mid-1980s onwards changed the economic integration path of Europe and the individual welfare states. The quasi business management of national economies in terms of individual budgets; the rational expectations about the infallibly acting *homo economicus*; the implementation of the principle of competition in areas outside of the market economy; the withdrawal of state regulatory and control capacities; as well as the assumed trade-off between equality and economic growth were central building blocks of a doctrine that dominated at least until the global financial and economic crisis of 2008/09.[40] The effects in the social sphere became apparent in a "system of competitive states", in which market divergences increased through enlargement policy, and wage, tax and social policies became factors in intra-European location competition through the economic and monetary union (EMU) model.[41]

Concerns about a social "race to the bottom" were alleviated by various welfare state paradigms that spread across the continent. These included the so-called Third Way, which at the end of the 1990s and in the 2000s sought to reconcile the new competitive and market-based demands of a globalised and Europeanised economy with traditional social protection and collective interests.[42] The "social investment state", on the other hand, was supposed to steer the focus away from "old" and towards "new" social risks, especially in education, training as well as continuing education policies to strengthen human capital.[43] They all tried — and still try — to define and establish a concept of Social Europe that connects all welfare states on the continent.

The functional level: Constitutional asymmetry

A compulsion to change is also suggested in the answers to the functional question of Social Europe. In contrast to the normative question, the focus here is not on the economic and social systems of the welfare states, but on the European integration projects. Delors, quoted above, was concerned with how the Single Market, completed in 1992, could be socially

37 Hartmut Kaelble, "Das europäische Sozialmodell — eine historische Perspektive", in *Das europäische Sozialmodell. Auf dem Weg zum transnationalen Sozialstaat*, WZB Jahrbuch 2004, ed. Hartmut Kaelble and Günther Schmid (Berlin, 2004), 3150.

38 Stephan Schulmeister, *Der Weg zur Prosperität* (Salzburg and Munich, 2018), 58—74.

39 *Report to the Council and the Commission on the Realisation by Stages of Economic and Monetary Union in the Community. "Werner Report"*, Supplement to Bulletin II — 1970 of the European Communities, https://ec.europa.eu/economy_finance/publications/pages/publication6142_en.pdf (accessed 20 October 2023).

40 Gustav A. Horn, *Wirtschaftliche Krisen bewältigen. Neue Erkenntnisse aus den jüngsten Krisen* (Wiesbaden, 2016).

41 Klaus Busch, *Die Perspektiven des europäischen Sozialmodells*, Arbeitspapier Nr. 92 (Düsseldorf: Hans-Böckler-Stiftung, 2005), 5. See also Björn Hacker, "Wettbewerbsfaktor Wohlfahrtsstaat: eine Annäherung an das vorherrschende Europäische Sozialmodell", *Integration* 34, no. 1 (2011): 63—78.

42 Anthony Giddens, *The Third Way. The Renewal of Social Democracy* (Cambridge, 1998).

43 Anton Hemerijck, *Changing Welfare States* (Oxford: Oxford University Press, 2013).

framed. The European Commission's White Paper on EU Social Policy, published in 1994, states: "[T]he Union's social policy cannot be second string to economic development or to the functioning of the internal market."[44] This was all the more true as the Member States had already agreed on the next major integration project in the Treaty of Maastricht: the EMU. However, due to the dispute with the United Kingdom, they only made progress in deepening the social policy acquis by attaching a social protocol to the treaty.

When the euro was introduced, the "constitutional asymmetry" of the integration process manifested itself more and more clearly.[45] It was easy for Member States to expand the market by doing away with borders, tariffs and transaction costs (negative integration) — which was also promoted by Community institutions. On the other hand, it was difficult to agree on common policies, institutions and procedures (positive integration), especially when these were intended to correct the market. The defence against social dumping processes, therefore, developed conceptually into one of the focal points of the answers to the functional question. On the one hand, this involved ideas for limiting the freedoms of the internal market. It was implemented in 2018 in a revision of the Posting of Workers Directive, which followed the principle of "equal pay for equal work in the same place". Prior to this, the right balance between the freedom to provide services and worker protection had been discussed for more than a decade, accompanied by continuous protests from the European trade union movement.[46] On the other hand, concepts that have not yet been realised were discussed. These concepts were supposed to prevent social dumping through a compulsory synchronisation of economic progress and social spending.[47]

The crisis in the Eurozone from 2010 to 2015 made the question particularly virulent as to how functional the EMU can be if it is not complemented by social policy. In order to prevent or contain asymmetric shocks in a monetary union or to cope with the consequences of the crisis, it is necessary to establish fiscal intervention options and closely coordinate employment, wage and social policies between the Member States. The idea of creating a European unemployment insurance scheme, which would organise financial transfers to combat unemployment on a pan-European basis by means of a proportionate common budget according to the economic situation, falls into this area.[48] Such a stabilising function requires risk-sharing and limits the breadth of individual welfare states in the EMU. This is the basis for the demand for a European Social Union as a necessary complement to the EMU.[49]

The discursive level: Voluntaristic governance

While answers to the normative question have mostly been given at the national rather than the European level, and European answers to the functional question — even if they are considered indispensable — have so far been mostly conceptual, answers to the social situation and to common social challenges have been specifically developed in European discourse since the mid-1990s. For what came after Maastricht was at best gradual and lay mainly in the expansion of anti-discrimination policies, which tended to have

44 European Commission, *European Social Policy. A Way Forward for the Union*, A White Paper, COM(94) 333 final, 27 July 1994 (Luxembourg: Office for Official Publications of the European Communities, 1994), 2.

45 Fritz W. Scharpf, "The European Social Model: Coping with the Challenges of Diversity", *JCMS: Journal of Common Market Studies* 40, no. 4 (2002): 645—70 (647).

46 Christian Joerges, Vladimir Bogoeski and Lukas Nüse, "Economic Constitutionalism and the European Social Model: Can European Law Cope with the Deepening Tensions between Economic and Social Integration after the Financial Crisis", in *The Metamorphosis of the European Economic Constitution*, ed. Herwig C. H. Hofmann, Katerina Pantazatou and Giovanni Zaccaroni (Cheltenham, UK, 2019), 126—53 (143—47).

47 Klaus Busch, *The Corridor Model – Relaunched. Short Version* (Berlin: Friedrich-Ebert-Stiftung, 2011).

48 Sebastian Dullien, *Eine Arbeitslosenversicherung für die Eurozone. Ein Vorschlag zur Stabilisierung divergierender Wirtschaftsentwicklungen in der Europäischen Währungsunion*, SWP-Studie 1/2008 (Berlin: Stiftung Wissenschaft und Politik, February 2008), https://www.swp-berlin.org/publikation/arbeitslosen versicherung-fuer-die-eurozone; Lázló Andor, "Towards Shared Unemployment Insurance in the Euro Area", *IZA Journal of European Labor Studies* 5, no. 10 (2016).

49 Frank Vandenbroucke, "The Idea of a European Social Union: A Normative Introduction", in *A European Social Union after the Crisis,* ed. Vandenbroucke, Barnard and De Baere (see note 3), 3—46.

"market-enabling" features.[50] Concepts for a functional addition of market-correcting elements to economic integration could not be realised because the Member States had reached a dead end. The Community's claims in many — especially economically determined — policy areas were opposed due to the insistence on preserving national sovereignty.[51]

This was the birth of discursive, cognitive and above all voluntaristic forms of multilevel governance in economic, employment and social policies. Starting with the European Employment Strategy, a wide network of coordination procedures has been established over two and a half decades.[52] Its milestones include the Lisbon Strategy and the Open Method of Coordination (OMC) formalised by it, the subsequent Europe 2020 Strategy and the European Semester, which since 2011 has brought together all the individual strands of social and economic governance. The most recent additions are the EPSR, the monitoring of Cohesion Funds and the programmes of the Next Generation EU support package to address the pandemic and its consequences.

Of course, this model of mutual exchange, reporting and monitoring, learning from each other, and generating peer pressure and competition is closely linked to the problems surrounding European integration as outlined above. The neoliberal economic paradigm has been dominant since the 1990s at the latest, and it also survived the global financial and economic crisis of 2008/09. The original opponents — above all social democratic and socialist parties — gradually adopted its premises and integrated them into their own programmes.[53] Accordingly, voluntary policy coordination moves against the backdrop of the prevailing economic paradigm, whereby it has helped to spread new welfare state paradigms — including flexicurity and employability — in the EU.

After a poor mid-term review of the Lisbon Strategy, the new form of governance for European policies took a beating from 2006 onwards in favour of competitiveness and financial sustainability.[54] Moreover, it did not escape the fundamental asymmetry of European integration. This is because policy coordination as a "soft" form of governance has less clout than "hard" regulation under primary and secondary law, which is reflected in the effectiveness of coordination processes: The closer they operate to the treaties' foundations — not far from the internal market and the EMU — the more effective they are, for example in budget policy.[55]

Assessments of the potential of the EPSR

From a legal perspective, the EPSR is mostly criticised for lacking legal binding force. For Zane Rasnača, the 20 principles are more of a promise than a binding commitment,[56] and Bruno de Witte sees the Pillar as nothing more than a compass for EU social initiatives.[57] Christian Joerges et al. ascribe to the EPSR the intrinsic value of drawing attention to social grievances concerning EU integration, but they do not consider postulating individual social rights against socio-economic deficits at the Community level to be a promising approach.[58] According to Mark Dawson, within an asymmetrical policy framework it cannot - be expected that the hitherto dominant understanding of EU social policy will change, according to which individuals are not to be protected from the market but made fit for it.[59] Simon Deakin speaks of insuffi-

50 Martin Höpner and Armin Schäfer, "Grenzen der Integration — Wie die Intensivierung der Wirtschaftsintegration zur Gefahr für die politische Integration wird", *Integration* 33, no. 1 (2010): 3—20 (18).

51 Uwe Puetter, "Deliberativer Intergouvernementalismus und institutioneller Wandel: Die Europäische Union nach der Eurokris", *Politische Vierteljahresschrift* 56, no. 3 (2015): 406—29. See also Becker, *Europas soziale Dimension* (see note 34).

52 Björn Hacker, "Behelfsbrücke EU-Politikkoordinierung", in *Handbuch Europäische Union*, ed. Peter Becker and Barbara Lippert (Wiesbaden, 2020), 645—65.

53 Colin Crouch, *Social Europe*. *A Manifesto* (Berlin, 2020).

54 Benjamin Leruth, "The Europeanization of the Welfare State: The Case for a 'Differentiated European Social Model'", in Peter Taylor-Gooby, Benjamin Leruth and Heejung Chung, *After Austerity. Welfare State Transformation after the Great Recession* (Oxford: Oxford University Press, 2017), 67—200.

55 Hacker, "Behelfsbrücke EU-Politikkoordinierung" (see note 52), 655ff.

56 Zane Rasnača, *Bridging the Gaps or Falling Short? The European Pillar of Social Rights and What It Can Bring to EU-level Policymaking*, Working Paper 2017.05 (Brussels: European Trade Union Institute [ETUI], 2017), 15.

57 De Witte, "Two Charters and a Pillar" (see note 9), 200.

58 Joerges, Bogoeski and Nüse, "Economic Constitutionalism and the European Social Model" (see note 46), 140—43.

59 Mark Dawson, "New Governance and the Displacement of Social Europe: The Case of the European Semester", *European Constitutional Law Review* 14 (2018): 191—209 (206f.).

cient means for the goals set by the EPSR, and Martin Höpner even of a "deceptive package".[60]

This did not go unchallenged. Even if the EPSR cannot bring about the great social transformation of the EU as some had hoped, Sacha Garben said, it stands for a longer-term social action plan that provides the Union with a new narrative. Of course, even though the EPSR cannot overcome the constitutional asymmetry of European integration and reform the instruments of euro crisis management, "it does attempt to imbue EU economic governance more generally with a more social approach, by using the European Semester as a vehicle for the implementation of certain Pillar principles."[61] Similarly, Ane Aranguiz sees in the EPSR and the accompanying Social Scoreboard the potential of a benchmark to iron out the shortcomings of the horizontal social clause in Article 9 of the Treaty on the Functioning of the European Union (TFEU).[62]

Political science studies argue in a similar way about the effectiveness of the EPSR. For example, there is the rather negative view that the social progress in the design of the European Semester was acquired through strong conditionality, which continues to give preference to market expansion over market correction.[63] It is stressed that the social policy initiatives are more symbolic than the facts created by the austerity management of the euro crisis.[64] Daniel Vaughan-Whitehead and Rosalia Vazquez-Alvarez compiled their own employment and social indicator by using the Social Scoreboard to assess progress according to the 20 principles of the EPSR. Their result, starting from the year 2000, indicates a convergent social development of the EU states that ends with the financial and economic crisis of 2007/08 and becomes a solidified divergence from 2010 onwards during the era of the euro crisis.[65] In fact, inequality is expanding in socio-economic as well as territorial terms, which policy coordination innovations have so far not been able to counter significantly.[66]

With the Covid-19 pandemic, the chances of social integration deepening have increased.

For Paul Copeland, the fact that more social issues were addressed in the European Semester after the Juncker Commission took office in 2014 than before is far from an indication of a market-correcting policy approach. His analysis of CSRs between 2011 and 2018 shows mostly commodifying intentions, that is, market solutions. And where the individual is to be protected against market forces and made independent of them, this form of de-commodifying policy is mostly directed at smaller groups — such as migrants, ethnic minorities, children and the elderly — but not at the majority of EU citizens. Such an individualisation of social policy, Copeland argues, also underlies the EPSR; instead of changing the logic of the market and competition, social policy actors are concerned with small-scale victories within the neoliberal paradigm: "The battle within the European social dimension is about getting issues onto the agenda and smoothing the edges of neoliberalism, rather than an ideological battle on the fundamentals of the Euro-

60 Simon Deakin, "What Follows Austerity? From Social Pillar to New Deal", in *A European Social Union after the Crisis*, ed. Vandenbroucke, Barnard and De Baere *(see note* 3*)*, 192–210 (208); Martin Höpner, "Mogelpackung. Warum soziale Individualrechte die Europäische Union nicht sozialer mache", *Internationale Politik und Gesellschaft*, 25 May 2017, https://www.ipg-journal.de/rubriken/europaeische-integration/artikel/mogelpackung-2047/ (accessed 20 October 2023).

61 Sacha Garben, "The European Pillar of Social Rights: An Assessment of Its Meaning and Significance", *Cambridge Yearbook of European Legal Studies* 21 (2019): 101–27 (125).

62 Ane Aranguiz, "Social Mainstreaming through the European Pillar of Social Rights: Shielding 'the Social' from 'the Economic' in EU Policymaking", *European Journal of Social Security* 20, no. 4 (2018): 341–63.

63 Paul Copeland and Mary Daly, "The European Semester and EU Social Policy", *JCMS: Journal of Common Market Studies* 56, no. 5 (2018): 1001–18.

64 Paul Copeland and Mary Daly, "Social Europe: From 'Add-On' to 'Dependence-Upon' Economic Integration", in *Social Policy and the Eurocrisis. Quo Vadis Social Europe*, ed. Amandine Crespy and Georg Menz (Basingstoke, 2015), 140–60; Caroline de la Porte and Elke Heins, "A New Area of European Integration? Governance of Labour Market and Social Policy since the Sovereign Debt Crisis", in *The Sovereign Debt Crisis, the EU and Welfare State Reform*, ed. idem (London, 2016), 15–41.

65 Daniel Vaughan-Whitehead and Rosalia Vazquez-Alvarez, "Convergence in the EU: What Role for Industrial Relations?", in *Towards Convergence in Europe. Institutions, Labour and Industrial Relations*, ed. Daniel Vaughan-Whitehead (Cheltenham, UK, and Northampton, MA, 2019), 1–34 (15–20).

66 Björn Hacker, *Unequal Europe. Tackling Regional Disparities in the EU (*Stockholm: Friedrich-Ebert-Stiftung, 2021); Martin Heidenreich, *Die doppelte Spaltung Europas. Territoriale und soziale Ungleichheiten als zentrale Herausforderungen der europäischen Integration* (Wiesbaden, 2022).

pean political economy."[67] Even if the forces involved in social policy should strive for paradigmatic changes and have won greater access to the governance of the European Semester over the years, they remain structurally disadvantaged by the order of competences and the logic of European policy coordination. According to Adina Maricut and Uwe Puetter, it is much more agreeable to demand budgetary consolidation and structural reforms than to pursue approaches to employment and social policy.[68]

The authors of a second group of studies, on the other hand, see few positive development prospects for the EPSR, provided it is complemented by additional instruments. Sebastiano Sabato and Francesco Corti believe it has the potential to make the policies of the Member States more socially oriented through the European Semester, but they also complain about the unchanged macroeconomic framework of the Pillar.[69] A study by the author of this paper shows positive effects of the EPSR, but also that the Pillar is largely ignored by the Member States and that the topics in the CSRs are only particularly social if there is no conflict of objectives with budgetary or competition policy goals. Moreover, the indicators of the Social Scoreboard reveal a strongly divided Europe.[70] A study by Eurofound on the development of the indicators between 2008 and 2018 also paints a picture that shows little convergence. There are therefore calls for the EPSR to be supplemented by a European unemployment insurance scheme, which would serve as a counter-cyclical adjustment instrument in crises.[71] However, these analyses do not yet include the changes brought about by the Next Generation EU. According to Frank Vandenbroucke, the EPSR "is a good step in the right direction" precisely because the euro crisis and the pandemic have highlighted the relationship between economic turbulence and the risk of poverty. At the same time, he warns that the Pillar "marks a point of no return": Only with further additions to its implementation can it do justice to its claim for a social dimension of the EU.[72]

The assessments given in a third group of studies reflect the changed environment of the EPSR as a result of the pandemic and comes to much more positive conclusions in the majority of cases. In the conflict over the question of whether the European Semester has become more social as a result of the Pillar, Bart Vanhercke and Amy Verdun emphasise that social aspects and social actors have recently gained in importance within the European Semester[73] — an observation already made by Jonathan Zeitlin and Vanhercke in 2018 and confirmed by Silvia Rainone in 2020 and Corti in 2022.[74] However, the latter two

67 Paul Copeland, *Governance and the European Social Dimension. Politics, Power and the Social Deficit in a post-2010 EU* (Oxon and New York, NY: Routledge, 2020), 143. Similarly, in a case study of industrial relations, argue: Jamie Jordan, Vincenzo Maccarrone and Roland Erne, "Towards a Socialization of the EU's New Economic Governance Regime? EU Labour Policy Interventions in Germany, Ireland, Italy and Romania (2009—2019)", *British Journal of Industrial Relations* 59, no. 1 (2021): 191—213.

68 Adina Maricut and Uwe Puetter, "Deciding on the European Semester: The European Council, the Council and the Enduring Asymmetry between Economic and Social Policy Issues", *Journal of European Public Policy* 25, no. 2 (2018): 193—211.

69 Sebastiano Sabato and Francesco Corti, "'The Times They Are A-changin'? The European Pillar of Social Rights from Debates to Reality Check", in *Social Policy in the European Union: State of Play 2018*, ed. Bart Vanhercke, Dalila Ghailani and Sebastiano Sabato (Brussels: ETUI and European Social Observatory [OSE], 2018), 51—70. Similar arguments are made by the authors of a study commissioned by the European Economic and Social Committee: Sebastian Sabato, Dalila Ghailani, Ramón Peña-Casas, Slavina Spasova, Francesco Corti and Bart Vanhercke, *Implementing the European Pillar of Social Rights: What Is Needed to Guarantee a Positive Social Impact?* (Brussels: European Economic and Social Committee, 2018).

70 Hacker, *A European Social Semester?* (see note 17), 25—28.

71 Eurofound, *A More Equal Europe? Convergence and the European Pillar of Social Rights* (Luxembourg: Publications Office of the European Union, 2019).

72 Frank Vandenbroucke, "To Fight Poverty and Social Exclusion, EU Law Must Buttress Basic Nuts and Bolts of the Welfare Edifice", *European Journal of Social Security* 22, no. 4 (2022): 486—92 (489).

73 Bart Vanhercke and Amy Verdun, "The European Semester as Goldilocks: Macroeconomic Policy Coordination and the Recovery and Resilience Facility", *JCMS: Journal of Common Market Studies* 60, no. 1 (2022): 204—23. Oppositely, Jörg S. Haas, Valerie J. D'Erman, Daniel F. Schulz and Amy Verdun, "Economic and Fiscal Policy Coordination after the Crisis: Is the European Semester Promoting More or Less State Intervention?", *Journal of European Integration* 42, no. 3 (2020): 327—44.

74 Zeitlin and Vanhercke, "Socializing the European Semester" (see note 6); Silvia Rainone, *An Overview of the 2020–2021 Country-specific Recommendations (CSRs) in the Social Field. The Impact of Covid-19*, Background analysis 2020.01 (Brussels: ETUI, 2020); Francesco Corti, *The Politicisation of* focus less on the EPSR than on the integration of the Next Generation EU into the governance architecture of the European Semester. Other authors also see above all the Keynesian-inspired enabling of a common economic policy through the Next Generation EU as the decisive paradigm shift with which the shortcomings of the Maastricht Treaty can be remedied.[75] Sonja Bekker sees the merger of the European Semester and the RRF as an opportunity to implement policy goals through conditional financial allocations for investment rather than austerity.[76] In this changed environment, Patrik Vesan and Corti identify the EPSR as a trigger for an already foreseeable deepening of social policy integration, Copeland sees an integrative moment for Social Europe, and Maurizio Ferrera declares: "The Pillar will be the central engine of the new Social Europe."[77]

Social Europe. *Conflict Dynamics and Welfare Integration* (Cheltenham, UK, and Northampton, MA, 2022), 153 — 80.

75 Federico Fabbrini, "The Legal Architecture of the Economic Responses to COVID-19: EMU beyond the Pandemic", *JCMS: Journal of Common Market Studies* 60, no. 1 (2022): 186 — 203; Francesco Saraceno, *The Return of Fiscal Policy: The New EU Macroeconomic Activism and Lessons for Future Reform*, ILO Working Paper 59 (Geneva: International Labour Organization, 2022).

76 Sonja Bekker, "The Social Dimension of EU Economic Governance after the Covid-19 Pandemic: Exploring New Interlinkages", *Italian Labour Law Journal* 15, no. 1S (2022): 1 — 14, doi: 10.6092/ISSN.1561-8048/15702.

77 Patrik Vesan and Francesco Corti, "The Return of the Commission Social Entrepreneurship before and after the Covid-19 Pandemic", *Journal of European Integration* 44, no. 6 (2022): 787 — 802; Paul Copeland, "The Juncker Commission as a Politicising Bricoleur and the Renewed Momentum in Social Europe", *JCMS: Journal of Common Market Studies* 60, no. 6 (2022): 1629 — 44; Maurizio Ferrera, "Round Table. From Lisbon to Porto: Taking Stock of Developments in EU Social Policy: Social Europe 2.0? New Prospects after the Porto Social Summit", *Transfer: European Review of Labour and Research* 27, no. 4 (2021): 505 — 11 (509).

Social balance of the EU in times of crisis

The EPSR is primarily a coordinating, that is, "soft", instrument of European governance. In this respect, the frequently demanded "implementation" of the Pillar requires that the Member States adapt, expand and reform social legislation in their areas of responsibility. Coordination manifests itself in the exchanges between the national and EU levels on these projects, reacting to challenges and deficits that can be identified with the help of the Social Scoreboard. Although it is hardly possible to clearly attribute changes to reforms derived from, or triggered by, coordination processes, social indicators can be used to measure the social and sectoral development of a country over time and the extent to which these social balances were addressed in the coordination process. For the EU as a whole, the Commission offers a positive evaluation in its Annual Growth Survey 2023 for how economic policy responded to the pandemic. Gross domestic product (GDP) growth had already picked up again in 2021, and the labour markets in particular had shown themselves to be robust — especially thanks to short-time work schemes, which were also promoted throughout Europe with the SURE instrument.[78]

Developments and trends in social indicators

In 58 cases, the Social Scoreboard reports the existence of "critical situations" — that is, far below average scores — in the Member States, measured across 16 indicators for the year 2021. Many have problematic scores especially for the social indicators concerning the rates of early school leavers, per capita disposable household income, the risk of poverty or exclusion of children, and the impact of social transfers.[79] Although the Commission examines the current scores of the individual social indicators and their changes from the previous year in detail for all 27 Member States in the Employment Report, this paper takes an aggregated view and at the same time looks back at the entire period since the introduction of the EPSR. It is important to note that the EU has successively developed the indicators of the Social Scoreboard. In 2017/18, for example, only 12 of 14 indicators were available in the first application of the Scoreboard after the EPSR was announced — today there are 17, of which only 15 can be operationalised in a time comparison.[80]

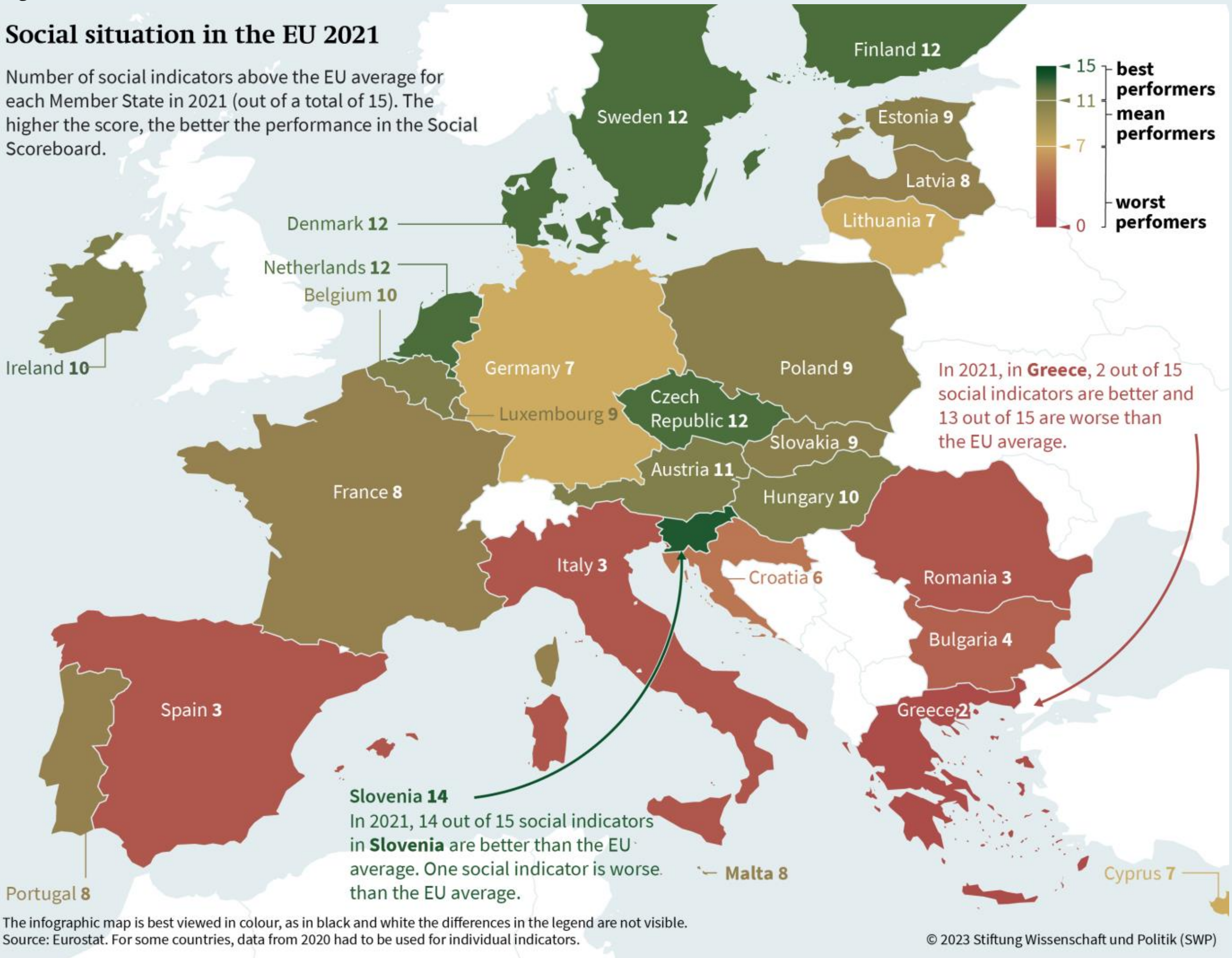
Looking at the situation according to the latest available data in 2021 (see Figure 1), it becomes apparent that, despite the permanent crisis, 18 of 27 countries in the EU score above average on more than half of the indicators. Not particularly surprising are the very good positions of the Scandinavian countries, the Netherlands, Austria and Belgium, which also usually occupy the top positions in comparative welfare state research as far as the social benefits provided are concerned. It is also obvious that the last three countries to join the EU — Croatia, Bulgaria and Romania — are doing relatively poorly, as are the southern European countries Italy, Spain and Greece, which have been hit hard by the euro crisis and in some cases similarly hard by the pandemic. In con-

78 European Commission, *Annual Sustainable Growth Survey 2023,* COM(2022) 780 final (Strasbourg, 22 November 2022), 2.

79 European Commission, *Proposal for a Joint Employment Report from the Commission and the Council* (see note 16), 36ff.

80 The indicator "Adult (25–64 years) participation in learning in the last 12 months" is not yet usable due to a lack of corresponding surveys since 2016 and is also not used by the Commission in the Social Scoreboard 2022/23. For the indicator "Individuals who have basic or above basic overall digital skills", only one survey from 2021 exists so far, so that a comparison over time is not possible. Some indicators have been replaced or revised. This paper uses the latest version of the indicators mapped in the Social Scoreboard at Eurostat, see Eurostat, *Social Scoreboard* (see note 16).

Figure 1



Source: Eurostat, *Social Scoreboard* (see note 16), headline indicators (as of 17 November 2022); own calculations.

trast, according to the Social Scoreboard, Cyprus and Portugal seem to have succeeded in catching up with the European average again after severe economic crises. The average position of the developed welfare states Luxembourg, France and Germany is astonishing, as is the surprising top position of Slovenia.

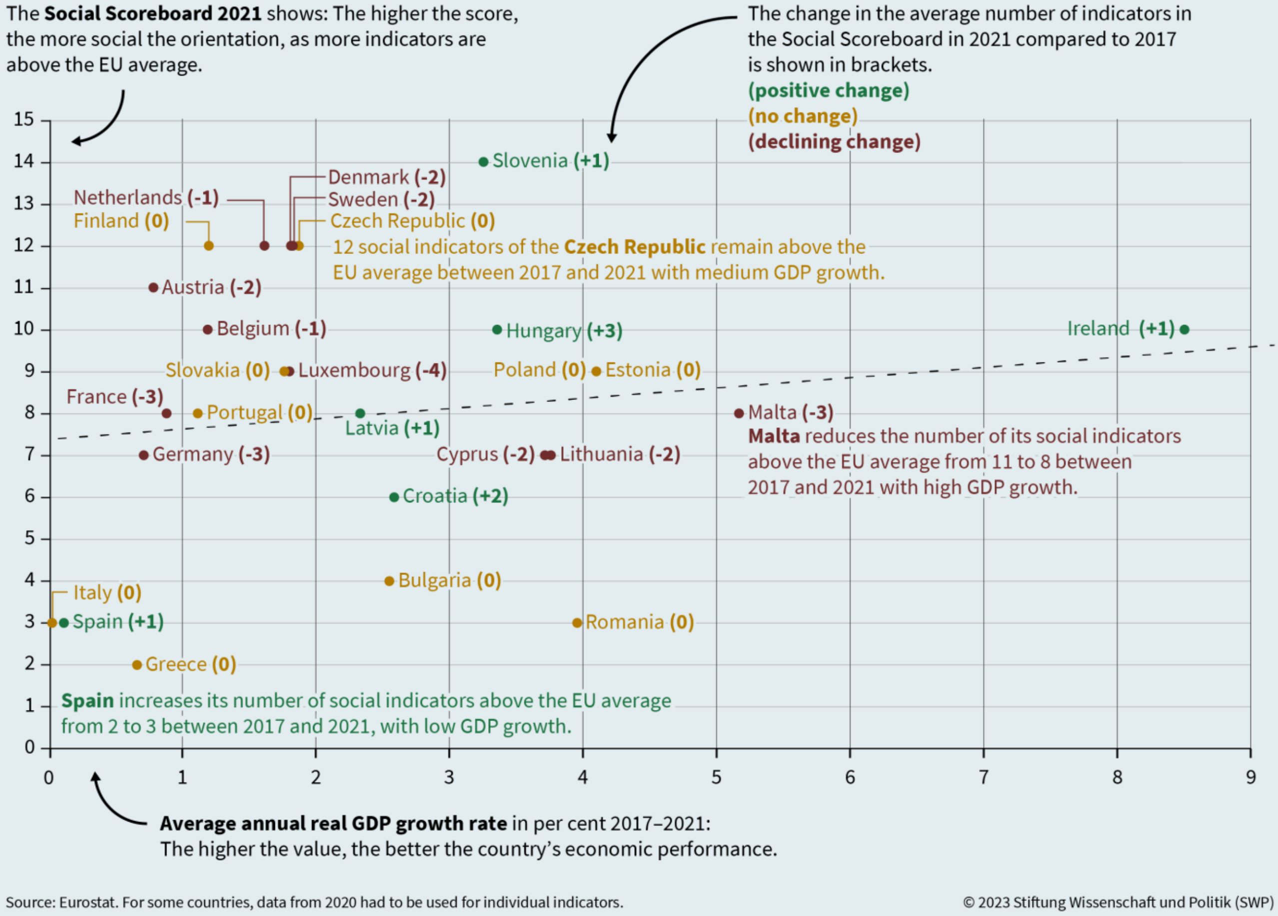
Compared to the 2017 indicator scores (see Figure 2), Luxembourg (−4), France, Germany and Malta (each −3) have deteriorated relative to the EU average on a significant number of indicators. All four countries are still in the group of very good performing Member States in 2017, but they fall back to an average position during the pandemic. In total, 11 countries have more indicators below the EU average in 2021 than in 2017. Only six countries improve compared to the EU average in some indicators; these are Hungary (+3), Croatia (+2) as well as Spain, Ireland, Latvia and Slovenia (each +1). For 10 states, their relative positions in the comparison remain unchanged. The position of the countries of southern and south-eastern Europe, which are far from the median, have not further deteriorated since 2017, despite the pandemic.

If economic development since 2017 is used as an explanatory factor for the social situations of the Member States in 2021 by looking at the average real GDP growth rate, there is only a slight positive correlation (see Figure 2), with a coefficient of 0.15. This means that high levels of economic growth are not necessarily paired with more above-average social indicators. On the other hand, particularly low economic growth goes hand in hand with far below-average social development.

The economies of Italy, Greece and Spain were just beginning to recover from pre-euro crisis levels, but

Figure 2

Social development level and GDP growth rate



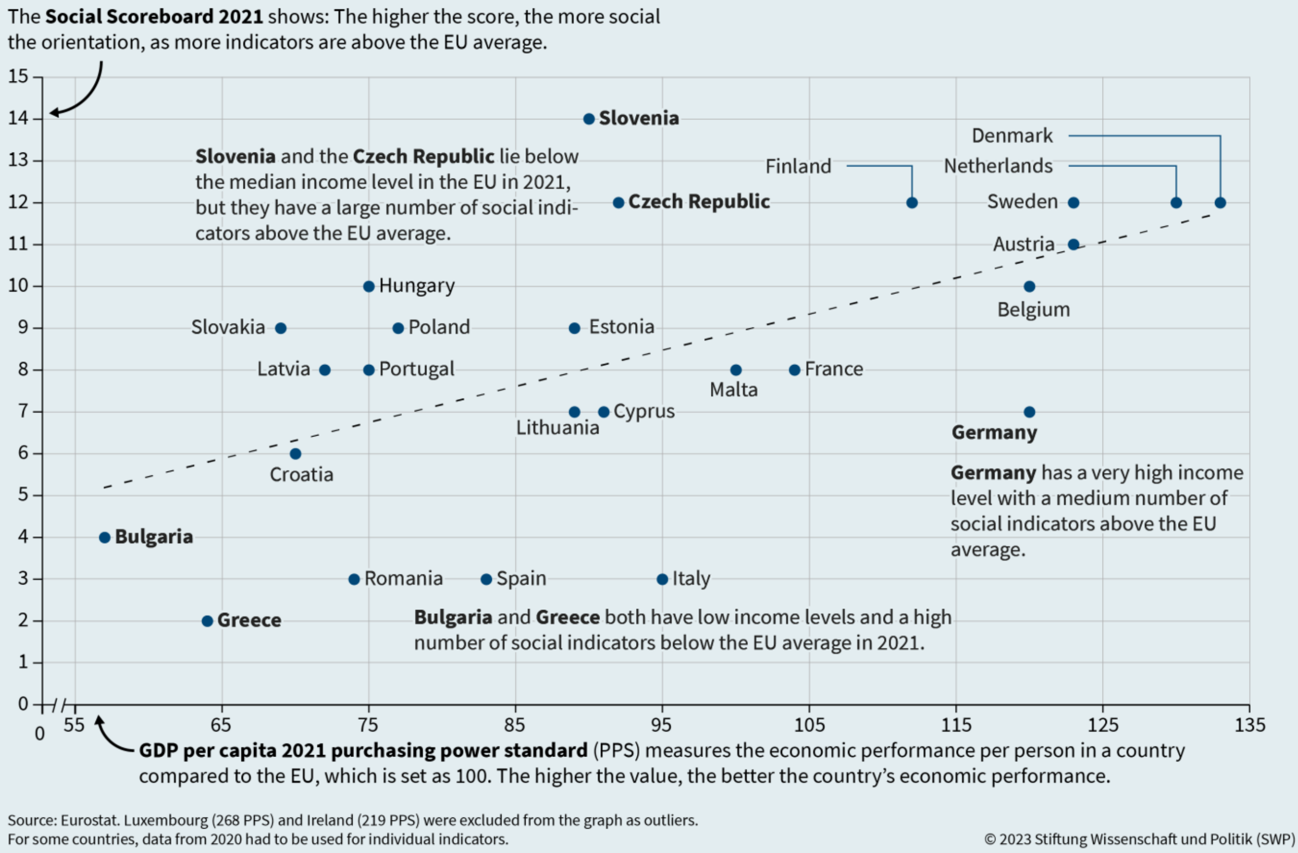
Source: Eurostat, *Real GDP growth rate – volume* (data code TEC00115 — as of 30 January 2023); Eurostat, *Social Scoreboard* (see note 16), headline indicators (as of 17 November 2022); own calculations.

they have been hit particularly hard by the pandemic. In 2020, real GDP growth fell by 9 percentage points in Greece and Italy, and by more than 11 points in Spain. Overall, the average annual growth rate of real GDP in these countries remains very low at less than 1 per cent between 2017 and 2021. The remaining members of this worst-performing group in the Social Scoreboard achieve relatively good average real GDP growth rates, with Bulgaria and Croatia scoring 2.6 per cent each and Romania 4.0 per cent. However, only Croatia manages to improve its position in the Social Scoreboard compared to 2017. The pandemic-related economic slump and the corresponding, relatively low real average GDP growth since 2017 could explain why France (0.9 per cent), Austria (0.8 per cent) and Germany (0.7 per cent) have fallen behind in the social indicators in the period up to 2021. However, Malta (5.2 per cent), Lithuania (3.8 per cent) and Cyprus (3.7 per cent) are counterexamples whose relatively high real growth rates could not prevent a relative deterioration in social indicators.

A look at GDP per capita in 2021 shows a greater correlation with the social situation (see Figure 3), but the correlation coefficient remains low at 0.35. It is true that Member States with incomes above the EU-27 purchasing power standard (PPS) set at 100 tend to be found more often in the group with more than 10 above-average social indicators, such as Ireland (219 PPS), the Scandinavian countries, the Netherlands, Belgium and Austria. But countries such as the Czech Republic (92 PPS), Slovenia (90 PPS) and Hungary (75 PPS), which lag behind the median income in terms of GDP per capita, are also social “best performers”. In contrast, according to the Scoreboard, the social situa-

Figure 3

Level of social development and economic power per capita



Source: Eurostat, *GDP per capita in PPS* (data code TEC00114 — as of 20 December 2022); Eurostat, *Social Scoreboard* (see note 16), headline indicators (as of 17 November 2022); own calculations.

tion is only average for France (104 PPS) and Germany (120 PPS), but especially for Luxembourg, as it the richest country in 2021 with 268 PPS. Conversely, the group with at most six above-average social indicators tends to find itself at the bottom of the per capita income scale in the EU, but Slovakia (69 PPS), Latvia (72 PPS), Portugal (75 PPS) and Poland (77 PPS) perform much better socially than their economic indicators would suggest. Assuming that social development keeps pace with economic development, this shows considerable upward and downward deviations for many Member States, at least in 2021.

All in all, the years since the EPSR was introduced and the Social Scoreboard has been used, the picture that emerges is one of a relatively solidified tripartite social structure in the EU. The first group of "best performers" are Austria, Denmark, Sweden, Finland, the Czech Republic, the Netherlands and Slovenia. These countries have above-average scores in a variety of indicators; Slovenia alone has managed to show an additional indicator score above the EU average since 2017. The second group of "worst performers" consists of Greece, Bulgaria, Croatia, Spain, Italy and Romania, which have below-average scores in a variety of social indicators. Only Spain and Croatia have managed to jump above the EU average for other indicators since 2017. The third group of "mean performers" is the largest, with 14 countries. They all cluster around half of the 15 indicators above or below the EU average. This group has seen the most movement since 2017, with many countries worsening, that is, having more social indicators below the EU mean in 2021 than four years earlier.

As shown above, levels of prosperity and economic development between 2017 and 2021 can only explain to a limited extent how countries are grouped in the implementation of the EPSR by means of the Social Scoreboard. Therefore, the relative scores for three of the countries discussed will now be analysed in detail in absolute terms. For this purpose, one country from each group will be chosen for this research paper: the leader, Slovenia, with 14 above-average indicators in 2021; the socially lagging Spain, with only three above-average indicators; and Germany, which lost its top position between 2017 and 2021 and now has seven above-average indicators.

Social challenges in detail

The four mappable social indicators[81] from Chapter 1 of the EPSR ("Equal opportunities and access to the labour market") all show slight improvements between 2017 and 2021 in the unweighted average of all 27 EU Member States (see Table 3). The share of early school leavers decreases by 1 percentage point, the rate of young people neither in employment nor in education or training (NEET) decreases by three quarters of a point, and the gender employment gap decreases by half a percentage point. The income quintile ratio, which measures the inequality of income distribution with the S80/S20 ratio, remains relatively stable on average.

In this chapter of the EPSR, Slovenia shows that, in 2021, all four indicators are far better positioned than the EU average, and that the country has managed to improve in every indicator since the introduction of the EPSR. In particular, the opportunities for young people in the education system and on the labour market have been increased, with significant and above-average reductions in school dropout and NEET rates. Spain also achieves improvements in all four indicators, to a much greater extent than Slovenia. However, the country is developing socially from a very low level, and it is still doing worse than the EU average in all four indicators in 2021, which is in line with the economic situation discussed above. Nevertheless, in difficult times, Spain manages to reduce the share of early school leavers by 5 percentage points, the NEET rate by more than 2 percentage points and the gender employment gap by 1.3 percentage points. The high level of inequality in the country measured by the S80/S20 ratio — the top 20 per cent of income is 6.2 times higher than the bottom 20 per cent — could be reduced. In Germany, income levels are slightly more equal than in Spain, but the opposite trend of increasing inequality has been evident here since 2017. Although Germany's NEET rate is relatively low compared to other countries, it has risen since 2017, which seems all the more problematic in view of a sharp increase in the number of early school leavers, which is well above average (plus 1.7 percentage points). In this chapter of the EPSR, Germany is only better positioned than the average of the EU states in two indicators. And only in the gender gap in employment is there a positive trend, which is, however, small-scale and average.

All four indicators of Chapter 2 of the EPSR ("Fair working conditions") also show positive changes in the unweighted average of EU countries between 2017 and 2021 (see Table 4). After the Covid-19 pandemic, which occurs during this period and is accompanied by job losses, EU countries are able to recover and increase employment rates by 2.6 percentage points on average. Unemployment (down 1.2 points) and long-term unemployment (down 1 point) fall accordingly. Disposable household income increases significantly during the crisis, partly due to financial support programmes for workers or certain occupational groups, jumping by almost 9 units.

All three Member States compared here are in line with this trend and are improving in all four indicators. On the labour market, it becomes very clear how strongly Spain is affected by economic crises. At just under 68 per cent, the employment rate here is significantly lower than the EU average of almost 75 per cent. The unemployment rate of almost 15 per cent is more than twice as high as the EU average, and this also applies to the long-term unemployment rate of about 6 per cent. However, Spain shows above average improvements for the latter two indicators.
The only modest employment growth rate overall is reflected in a below-average improvement in disposable household income (plus 4 units). Both Germany and Slovenia have excellent labour market indicators. However, although these have improved significantly in Slovenia since 2017, the situation in Germany is almost stagnant at a very high level. Here, the employment rate grows less than the EU median by 1.4 percentage points to almost 80 per cent in 2021. Slovenia shows a high growth rate of disposable household income by more than 16 units in the period under consideration, while the level and rate of change in Germany remain below average.

81 Two indicators of this EPSR chapter are not available in the time comparison (see note 80).

Table 3

“Equal opportunities and access to the labour market” (Chapter 1 EPSR): 2021 and change since 2017

	European Union		*Germany*		*Spain*		*Slovenia*	
	2021	*since 2017*	*2021*	*since 2017*	*2021*	*since 2017*	*2021*	*since 2017*
Early school leavers (18 to 24-year-old population) (%)	8.2	-1.0	11.8	+1.7	13.3	-5.0	3.1	-1.2
NEET (15 to 29-year-old population) (%)	12.0	-0.8	9.2	+0.7	14.1	-2.3	7.3	-2.0
Gender differences in employment (percentage points compared to the employment rate of the 20 to 64-year-old population)	9.5	-0.5	7.3	-0.5	10.6	-1.3	6.7	-0.2
S80/S20 (ratio total income top and bottom quintile)	4.8	-0.1	4.9	+0.4	6.2	-0.4	3.2	-0.2

For individual countries, data from 2020 had to be used for individual indicators. In these cases, the EU average refers to available combinations of country indicators and years.

Source: Eurostat, *Social Scoreboard* (see note 16), headline indicators (as of 17 November 2022); own calculations.

Chapter 3 of the EPSR (“Social protection and inclusion”) also shows positive changes on average for all 27 EU Member States in all seven social indicators (see Table 5). The rates for the risk of poverty or exclusion, especially those for children, have been reduced; however, they remain on average at a relatively high level of more than 20 per cent in 2021. Social transfers (other than pensions) reduce the at-risk-of-poverty rate by just under 37 per cent on average in the EU — an increase of 2.6 percentage points since 2017. The disability-specific employment gap declines slightly, but it remains very high at 24 per cent on average. Housing-related expenditure of more than 40 per cent of disposable income applies to more than 7 per cent of EU citizens on average in 2021; again, a decrease of just under 2 percentage points. There is an increase of 2.8 percentage points in the share of children under the age of three in childcare, which now stands at 35 per cent. Only slightly more than 2 per cent of the population on average complains about a lack of medical care due to money constraints, waiting lists or geographical distance.

Since 2017, EU countries have improved their social situations, but very few achieve above-average results.

The impact of social transfers in reducing the risk of poverty improves in all three countries considered here — presumably a consequence of support programmes during the pandemic. Germany (plus 7.4 percentage points) and Spain (plus 6.5 points) increase the coverage from support programmes considerably; Slovenia, on the other hand, only does so to a minimum extent (plus 0.2 points), although the country has a significantly higher ratio of almost 45 per cent in 2021. In Spain, this amounts to only 30 per cent; here the social security systems provide only limited protection against poverty. Accordingly, the indicator for poverty or social exclusion is almost 28 per cent, well above the EU average. Children are particularly vulnerable in Spain. Both indicators have worsened slightly since 2017. This is also the case in Germany, where more than a fifth of people are still at risk of

Table 4

“Fair working conditions” (Chapter 2 EPSR): 2021 and change since 2017

	European Union		*Germany*		*Spain*		*Slovenia*	
	2021	*since 2017*	*2021*	*since 2017*	*2021*	*since 2017*	*2021*	*since 2017*
Employed persons (20 to 64-year-old population) (%)	74.7	+2.6	79.6	+1.4	67.7	+2.2	76.1	+3.2
Unemployed (15 to 74-year-old labour force) (%)	6.6	-1.2	3.6	0.0	14.8	-2.4	4.8	-1.8
Long-term unemployed (12 months and more of the 15 to 74-year-old labour force) (%)	2.5	-1.0	1.2	-0.3	6.2	-1.5	1.9	-1.2
Per capita gross real household income (index with base year 2008 = 100)	116.3	+8.8	113.4	+4.0	97.7	+2.4	119.3	+16.7

For individual countries, data from 2020 had to be used for individual indicators. In these cases, the EU average refers to available combinations of country indicators and years.

Source: Eurostat, *Social Scoreboard* (see note 16), headline indicators (as of 17 November 2022); own calculations.

poverty, suffer from material or social deprivation, or live in a household with very low level of employment engagement. Minors are particularly affected by this; their vulnerability rate has increased by almost 5 percentage points since 2017.

In contrast, Slovenia’s poverty and exclusion risk scores are fantastic and far below the EU average. The country has been able to significantly increase this success since the EPSR was introduced. Slovenia also scores well on housing cost overload, with only 4.1 per cent of the population affected, while Germany (10.7 per cent) and Spain (9.9 per cent) have high scores here. Germany has at least managed to significantly reduce the share by almost 4 percentage points since 2017. The data up to 2021, however, only moderately reflects the extent to which housing costs have risen due to inflation and energy costs. Spain excels in the inclusion of people with disabilities and in childcare. The employment gap for people with disabilities is less than 16 per cent, and more than 55 per cent of under-threes are in formal care. For both indicators, the country has improved greatly since the introduction of the EPSR, starting from a high level. Slovenia saw a slight improvement in childcare to an above-average 47.5 per cent, while the employment gap for people with disabilities has widened considerably recently. Germany in particular lags behind in both indicators. The disability-specific employment gap exceeds 30 per cent, and only 20 per cent of children are in care. Both indicators have worsened since 2017, with childcare even in the double digits (minus 10.4 percentage points). A lack of health care seems to be somewhat of an issue only in Slovenia — almost 5 per cent complain of insufficient options here.

Slow recovery from the crises

The overview of the 15 indicators of the Social Scoreboard shows that the social situation has steadily improved overall since 2017 in the unweighted average of the Member States — despite the severe economic crisis caused by the pandemic. Nevertheless, since the introduction of the EPSR, very few Member States have managed to achieve above-average social

Table 5

"Social protection and inclusion" (Chapter 3 EPSR): 2021 and change since 2017

	European Union		*Germany*		*Spain*		*Slovenia*	
	2021	*since 2017*	*2021*	*since 2017*	*2021*	*since 2017*	*2021*	*since 2017*
Persons at risk of poverty or social exclusion (%)	20.7	-1.9	20.7	+1.9	27.8	+0.3	13.2	-3.4
Children at risk of poverty or social exclusion (0 to 17-year-old population) (%)	22.2	-2.5	23.5	+4.9	33.4	+1.5	11.0	-4.6
Impact of social transfers (reduction of persons at risk of poverty; pension excluded) (%)	36.9	+2.6	40.6	+7.4	30.5	+6.5	44.8	+0.2
Disability-specific differences in employment (percentage points compared to the employment rate of the 20 to 64-year-old population)	24.1	-1.4	30.3	+2.6	15.9	-11.6	21.1	+4.9
Housing cost overload (percentage of the population with expenditure of more than 40 per cent of income)	7.4	-1.9	10.7	-3.8	9.9	+0.1	4.1	-1.1
Children under 3 in formal childcare (all 0 to 2-year-olds) (%)	35.0	+2.8	19.9	-10.4	55.3	+9.5	47.5	+2.7
Self-reported unmet need for medical examination or treatment (16+ population) (%)	2.2	-0.3	0.1	-0.2	1.1	+1.0	4.8	+1.3

For individual countries, data from 2020 had to be used for individual indicators. In these cases, the EU average refers to available combinations of country indicators and years.

Source: Eurostat, *Social Scoreboard* (see note 16), headline indicators (as of 17 November 2022); own calculations.

results. In addition, some indicators are at levels that are clearly in need of improvement.

These include, in particular, equal opportunities and labour market access as well as social protection and social inclusion in connection with Chapters 1 and 2 of the EPSR. The labour market situation — measured against the crisis events of recent years — is quite good on average for the EU. The short-time work rules implemented during the pandemic, which were promoted by the EU through the SURE instrument, may certainly have contributed to this. In contrast, the education, training and continuing education opportunities for children and young people are apparently not sufficiently developed or are insufficiently utilised. The disadvantage of young people is also reflected in their high risk of poverty or exclusion.[82] This also affects the population as a whole to a large extent. On average, social transfers do little to alleviate the situation in the EU; at the same time, income inequality is high, which counteracts the strong

82 See also European Commission, *Employment and Social Developments in Europe. Young Europeans: Employment and Social Challenges Ahead*, Annual Review 2022, doi: 10.2767/229768.

growth in household incomes. The rates of change in the indicators between 2017 and 2021 are mostly low.

Slovenia is not only the model pupil in relative terms within the case selection presented here; the country has also improved in absolute terms in 13 out of 15 indicators of the Social Scoreboard since 2017. Its social situation not only far exceeds the EU average, but it can also compete with the established large welfare states of Western Europe. With a very good labour market situation approaching full employment and rapidly rising per capita income, income distribution is balanced. Children and young people, women, the long-term unemployed and low-income earners do not show any pronounced social disadvantages of a group-specific nature in the corresponding indicators. However, the data indicates that political intervention is needed to integrate people with disabilities into the labour market and to improve access to health services for the population as a whole.

In the case of Spain, the social indicators clearly show how long the shadow of the euro crisis is and how badly the country was hit by the Covid-19 pandemic. Although labour market indicators have improved, Spain lags far behind the EU average and the other two countries. There is also a lot of catching up to do in terms of equal opportunities in education and access to the labour market, as well as the risk of poverty or exclusion, which is particularly high in Spain. However, most indicators point in the right direction in absolute terms. In 11 out of 15 of them, the country has made gains despite crisis-ridden developments, and the deteriorating indicators — all relating to social protection and inclusion — are marginal in absolute terms. In contrast, Spain shows that significant social progress does not necessarily have to fail because of a problematic economic situation. Despite a poor labour market situation, the country has significantly reduced the share of early school leavers, narrowed the disability-specific employment gap and expanded childcare. With the latter two indicators, the country even sets standards far above the EU average.

The economic development of a country can only partially explain its social situation.

Germany reveals considerable social weaknesses in 2021 — not only in relative terms, but also in absolute terms. In seven indicators, the country's social situation has worsened compared to 2017; only the labour market indicator remains stable throughout. The positive changes in seven other indicators are mostly small-scale and below the rate of change of the EU average. However, there was a significant change for the better regarding the impact of social transfers to prevent poverty, household income and reducing the overburden of housing costs. In contrast, of the indicators that have developed negatively, those related to poverty and inclusion are the most striking: The scores for childcare and child poverty as well as for the labour market inclusion of people with disabilities have worsened considerably.

Although Germany has a solid social security system, as the Commission often emphasises, the country's biggest economic shortcoming — its current account surplus, which has been excessive for many years — has a social component: Too low real wage growth, in-work poverty as well as poverty risk and the corresponding social inequality are problems that have worsened because collective bargaining agreements have declined and the low-wage sector occupies a high share of the job market. At the same time, public investment had already been greatly reduced in the 1990s and still remains at a comparatively low level. This is reflected in poor education outcomes and results in employment problems for vulnerable groups such as the socio-economically disadvantaged and people with a migration background.[83] Dissonances built up over a long period of time in the German model — pursued 20 years ago as a popular strategy of marketisation and the dismantling of workers' rights[84] — cannot be undone overnight. And the Commission's holistic understanding of economic and social deficits has not yet become an essential part of the political discourse in Germany.

All in all, the relative comparison confirms that the economic development of a country can only partially explain its social situation according to the Social Scoreboard. What remain surprising are the results concerning the transition of a country from Central Eastern Europe that is doing particularly well socially; an established welfare state in Western

83 See the Country Reports and CSR for Germany 2018—2022: European Commission, *European Semester Documents for Germany*, https://commission.europa.eu/business-economy-euro/economic-and-fiscal-policy-coordination/european-semester/european-semester-your-country/germany/european-semester-documents-germany_en (accessed 20 October 2023).

84 See e.g. Wolfgang Streeck and Rolf Heinze, "An Arbeit fehlt es nicht", *Der Spiegel*, no. 19, 9 May 1999, 38—45.

Europe that is afflicted with considerable social risks outside of the labour market; and a southern European country that has been set back by economic crises but nevertheless offers evidence of positive social changes. It is also evident that progress in the labour market-related indicators of Chapter 2 of the EPSR seems to be easier to achieve than in those areas where equal opportunities ought to be enabled and preserved, and even more so than in the areas of social protection and social inclusion. It is precisely among the seven indicators of Chapter 3 of the EPSR that the most and greatest deficits are found for the three Member States analysed here, irrespective of their overall socio-economic situation. The fact that there are such good results for the indicators of Chapter 2[85] may be related on the one hand to the outstanding measurement of "good work", and on the other hand to the support provided by SURE.

The three Member States considered here dealt with the challenges highlighted by the Social Scoreboard differently in the European Semester coordination process. All three governments welcomed the EPSR as a new instrument in 2018, but they initially refrained from addressing identified social problems in detail. The German government classified the criticised need for action as "known", and the Spanish argued that the social situation in the country had already improved significantly. Both pointed to the principle of subsidiarity and invoked their own social policy competence. Berlin made no secret of its rejection of social monitoring in the following two cycles of the European Semester, while Madrid and Ljubljana took a different path starting in 2019. In both Spain and Slovenia, the NRPs now addressed in detail the social deficits described by the Commission. Spain had already mapped its own policies to the principles of the EPSR in 2019. The other two countries did not do so until 2022 — whereby Germany for the first time ever took a closer look at the EPSR, while Slovenia made direct reference to the three overarching goals of the Porto Action Plan.[86]

85 Counterfactual to Silvia Rainone, "From Deregulatory Pressure to Laissez Faire: The (Moderate) Social Implications of the EU Recovery Strategy", *Italian Labour Law Journal* 15, no. 1S (2022): 31—52 (50), doi: 10.6092/issn.1561-8048/15705; Hacker, *A European Social Semester?* (see note 17), 45ff.
86 See the NRPs of Germany, Slovenia and Spain 2018—2022: European Commission, *The European Semester in Your Country*, https://commission.europa.eu/business-economy-euro/economic-and-fiscal-policy-coordination/european-semester/european-semester-your-country_en (accessed 20 October 2023).

Importance of the EPSR in the framework of Next Generation EU

The need to take the EPSR into account in Member States' RRPs only gained prominence at a relatively late stage — this happened as a result of the Action Plan adopted at the Porto Social Summit in May 2021. Up until then, RRPs were supposed to take social concerns into account as part of the Next Generation EU package adopted in 2020, but the focus was placed on contributions to the ecological and digital twin transformations. Here, the EU set minimum quantitative targets of 37 per cent for climate action and 20 per cent for digitalisation in terms of expenditure per beneficiary country. The regulation establishing the RRF mentions the EPSR 11 times and urges Member States to ensure that their RRPs contribute "to the implementation of the European Pillar of Social Rights, thereby enhancing the economic, social and territorial cohesion and convergence within the Union".[87] However, it was not until the Action Plan that quantitative targets were added for three social areas. Although their implementation takes a long time, they can also be implemented via the RRF and "they can guide policy decisions in the Member States".[88]

Funding for new social investments and reforms

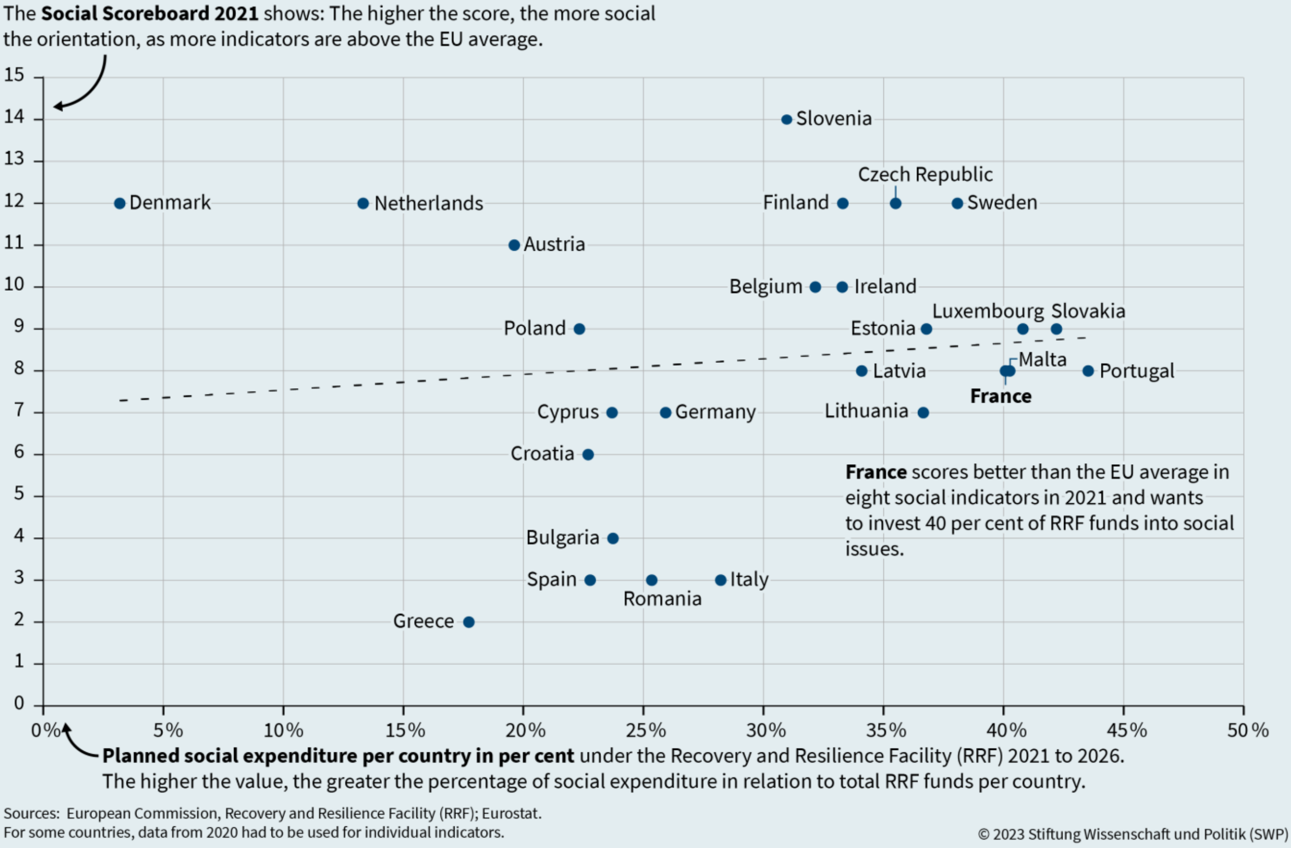
How have the Member States followed up on this? On average, across 26 EU countries, the Commission notes that 28 per cent of the Facility's allocations are spent on social issues in a broader sense. This is a rather high figure that has to be seen in relation to the expenditure projections of 40 per cent for climate protection and 26 per cent for digitalisation achieved so far by 26 Member States (Hungary's RRP had not been approved at the time writing).[89] The front-runner is Portugal, with 44 per cent of planned social spending, and Denmark bringing up the rear with 3 per cent. The exact measures in the social sector per country are difficult to record, as not all reforms can be precisely identified by the Commission, and the Member States set their own priorities and allocations in their RRPs under the categories specified by the regulations. In addition, there is the breadth of the issues covered by the EPSR — they not only take into account the classic social policies, but also affiliated sectors such as education and public services.

With an overall very weak positive correlation (see Figure 4) with a coefficient of 0.11, many countries that score above average or average on a number of indicators in the Social Scoreboard in 2021 plan to allocate more funding (more than 31 per cent) from the RRF to social investments and reforms. This is not the case for Denmark, the Netherlands, Austria, Poland, Cyprus and Germany, which all spend less than 26 per cent of their budgeted social expenditure. Conversely, the six countries of South and South-Eastern Europe, which have the greatest number of below-average social indicators, spend relatively little in percentage terms on social measures in the course of the RRF.

87 "Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility" (see note 20), para. 39.
88 European Commission, *The European Pillar of Social Rights Action Plan* (see note 25), 10.
89 In both areas, all 26 countries meet the quantitative conditions. See European Commission, *Recovery and Resilience Scoreboard*, https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html (accessed 20 October 2023).

Figure 4

Level of social development and social spending in the Recovery and Resilience Facility



Sources: European Commission, *Recovery and Resilience Scoreboard* (see note 89) (as of 13 December 2022); Eurostat, *Social Scoreboard* (see note 16), Leading Indicators (as of 17 November 2022); own calculations.

According to the Commission's calculations, almost half of the Member States spend more than one-third of the funds due to them from the RRF on social issues; only four invest less than one-fifth here. Following a regulation on reporting social expenditure, the Commission assigns this expenditure to four categories, which unfortunately do not correspond to the chapter structure of the EPSR. According to this, of the social expenditure from the national RRPs in the combined total of all 26 states considered here, 20 per cent is allocated to policies in the areas of employment and skills, 33 per cent each to education and childcare as well as health care and long-term care, and 14 per cent to other social measures.[90]

For the three countries specifically considered here, which can draw upon RRF funding to very different extents according to the allocation criteria agreed in the EU (see Table 6), the proportions of the money earmarked for social concerns are not too far apart. Slovenia wants to invest the most in the social sector with 31 per cent, Spain the least with 23 per cent, and Germany is in between with 26 per cent. In absolute figures, however, the ranking is different when considering total funds allocated: Spain uses almost 16 billion euros from the Facility for social

90 The latter category includes social infrastructure, social services and social inclusion. See "Commission Delegated Regulation (EU) 2021/2105 of 28 September 2021 supplementing Regulation (EU) 2021/241 of the European Parliament and of the Council establishing the Recovery and Resilience Facility by defining a methodology for reporting social expenditure", *Official Journal of the European Union* (1 December 2021), L429, 79–82; European Commission, *Recovery and Resilience Scoreboard* (see note 89).

projects, in Germany it is 6.7 billion euros and in Slovenia only 769 million euros.

The three countries set their own priorities. In Germany, almost two-thirds of the measures planned in the social sector flow into the health care and long-term care system; in contrast, employability and active labour market policy (2 per cent) and other social expenditure (0 per cent) play little or no role. The relative expenditure plans for these two areas are somewhat higher in Slovenia with 8 per cent each. Here the focus is on education and childcare (45 per cent) and also the health care and long-term care sector (40 per cent). Spain shows a more even distribution of funds across the four categories, with the focus on employment and education at 35 per cent, and social measures allocated 19 per cent.

Social projects of the Member States

Of the three Member States, Germany and Spain make explicit but brief reference to the EPSR in their RRPs; in contrast, the Slovenian RRP makes extensive use of the Pillar.

The German government, which adopted its RRP on 27 April 2021 and submitted it to Brussels, mentions its support in principle for the EPSR and goes on to write: "The measures of the DARP are likely to have a positive impact on the implementation of the principles of the EPSR."[91] In particular, they are expected to make a contribution in the areas of "lifelong learning, gender equality, equal opportunities, support for employment, support for children".[92] An attached report by the German Institute for Economic Research (DIW) concludes that each reform area also contributes to the implementation of the EPSR, mostly by creating new jobs.[93] Beyond that, the Pillar and its principles are only mentioned in passing. For example, it states that the measures to strengthen social participation touched on all four principles of Chapter 1 of the EPSR ("Equal opportunities and access to the labour market") and a planned digital pension scheme will contribute to principle 15 of the EPSR ("Old age income and pensions").[94] The Commission commented positively that Germany wants to use its RRP to expand the provision of day-care facilities for children, to initiate reforms in the education sector and strengthen digitalisation there, and to financially support the creation and maintenance of apprenticeships in companies in order to strengthen equal opportunities and access to the labour market.[95]

In 2022, the Commission strikes a very different note: As far as the implementation of the 2019 and 2020 CSRs in the social sector is concerned, Germany is said to have made only "limited progress" on half of the challenges mentioned. "Substantial progress" has only been made in promoting higher wage growth.[96] The policy for underrepresented and vulnerable groups is criticised for being insufficient. In the labour market, this applies to women, but also to people with disabilities. In the increasingly acute shortage of skilled workers, the problem of inadequate qualification also becomes apparent. Already at school, socio-economic or migration backgrounds strongly influence education results and lead to high drop-out rates, which are also not compensated for in adult education. "[I]ncome inequality and in-work poverty are higher than the EU average"; high energy and housing costs also contribute to the risk of poverty. The following applies: "Reducing inequalities is key to making the economy more inclusive, in line with the European Pillar of Social Rights".[97] In addition to these demands for more comprehensive social policies, it is pointed out that the German pension system lacks sufficient financial sustainability.[98]

The Spanish RRP, which was handed over to the Commission on 30 April 2021, also makes rather

91 DARP stands for Deutscher Aufbau- und Resilienzplan, meaning the national RRP. Bundesministerium der Finanzen, *Deutscher Aufbau- und Resilienzplan*, 27 April 2021, 44, https://www.bundesfinanzministerium.de/Content/DE/Downloads/Broschueren_Bestellservice/deutscher-aufbau-und-resilienzplan-darp.pdf?__blob=publicationFile&v=9 (accessed 20 October 2023) (translation by the author).
92 Ibid., 45 (translation by the author).
93 Ibid., 14, and Annex I, 1125–223.
94 Federal Ministry of Finance, *Deutscher Aufbau- und Resilienzplan* (see note 91), 730, 770.
95 European Commission, *Commission Staff Working Document. Analysis of the Recovery and Resilience Plan of Germany. Accompanying the Document Proposal for a Council Implementing Decision on the Approval of the Assessment of the Recovery and Resilience Plan for Germany*, SWD(2021) 163 final/2, Brussels, 22 July 2021, 55–60.
96 European Commission, *Commission Staff Working Document. 2022 Country Report – Germany. Accompanying the Document Recommendation for a Council Recommendation on the 2022 National Reform Programme of Germany and Delivering a Council Opinion on the 2022 Stability Programme of Germany*, SWD(2022) 606 final/2, Brussels, 9 June 2022, 29ff.
97 Ibid., 3.
98 Ibid., 12f.

Table 6

Level of social development and social spending under the Recovery and Resilience Facility

	Germany	*Spain*	*Slovenia*
Total RRF grants (in ’000,000 euros)	25,613	69,513	1,777
Total RRF loans (in ’000,000 euros)	0	0	0,705
Share of RRF in GDP (%)	0.72	5.77	3.42
RRP social expenditure in absolute terms (in ’000,000 euros)	**6,659**	**15,988**	**0,769**
Share of social expenditure of the RRP (%)	**26**	**23**	**31**
of which employment and skills	2	35	8
of which education and childcare	33	26	45
of which health care and long-term care	65	20	40
of which social measures	0	19	8

Source: European Commission, *Recovery and Resilience Scoreboard* (see note 89) (as of 13 December 2022); own calculations.

superficial references to the EPSR. It states that the social dimension of the plan is reflected in measures that are coherent with all three chapters of the EPSR. Examples given are: Strengthening the capacity of the health system, facilitating access to public services, improving the education system, strengthening and modernising inclusion and care work, and policies for dynamic, resilient and inclusive labour markets.[99] In the subsequent sections, there are only isolated references to the EPSR and its principles. For example, in the case of gender equality measures, compliance with Principles 2 (“Gender equality”) and 3 (“Equal opportunities”) is emphasised, and in order to justify an affordable housing measure, Principle 19 (“Housing and assistance for the homeless”) is cited in its wording.[100]

The Commission acknowledges that the Spanish government is using the RRP to address some structural social problems: “The RRP submitted by Spain includes measures that seek to address social cohesion challenges identified in previous country reports and country specific recommendations to Spain and monitored through the Social Scoreboard.”[101] It highlights the planned measures to increase employability — especially of young people — a law for integration and against segregation in schools, the modernisation of vocational training, improved offers for early childhood education, simplified access and financial support for higher education as well as investments in adult education. Temporary and agency work opportunities are to be restricted; in addition, a number of institutional reforms of active labour market policy are planned to better place jobseekers.[102]

Spain is said to have made “some progress” on most of the challenges addressed in the 2019 and 2020 CSRs in the social area. “Substantial progress” has been made in strengthening permanent contracts

99 Gobierno de España, *Plan de Recuperación, Transformación y Resiliencia* [Recovery, transformation and resilience plan], 16 June 2021, 71f., https://www.lamoncloa.gob.es/temas/fondos-recuperacion/Documents/30042021-Plan_Recuperacion_%20Transformacion_%20Resiliencia.pdf (accessed 20 October 2023).
100 Ibid., 106, 311.

101 European Commission, *Commission Staff Working Document. Analysis of the Recovery and Resilience Plan of Spain Accompanying the Document Proposal for a Council Implementing Decision on the Approval of the Assessment of the Recovery and Resilience Plan for Spain*, SWD(2021) 147 final (Brussels, 16 June 2021), 64.
102 Ibid., 64–68.

and job retention during the crisis; "limited progress" is seen in recruitment incentives, fragmented unemployment assistance and placement, and improving education outcomes.[103] The first implementations of the RRP receive positive comments, and it is also pointed out that Spain is addressing active labour market policy measures and poverty reduction in the course of ESF+ programming. Nevertheless: "The pandemic exacerbated the challenges for employment, fairness and inclusion."[104] The focus is now shifting to vulnerable groups, with children, schoolchildren and young professionals having long been considered neglected by social policy. Migrants and people with disabilities, who are increasingly affected by poverty, are also mentioned.[105] Points that go beyond the measures planned in the RRP in the social sector are the fight against energy poverty and the availability of social and energy-efficient housing, and more attention should be paid to the differences between the regions.[106]

The Slovenian government, which submitted its RRP to the EU on 30 April 2021, takes the guidance for the implementation of the EPSR found in the Regulation establishing the RRF more seriously. Their plan refers very frequently to the Pillar and explains the compliance with some of its principles in relation to corresponding reform and investment initiatives. The original text of the relevant principle is sometimes quoted directly and linked to the respective projects. A tabular overview assigns the proposed measures to the three chapters of the EPSR, explaining which principles are to be achieved and by which means.[107] With regard to a measure to relieve low-income households of housing costs, the Slovenian RRP explicitly refers to the Action Plan for the Implementation of the EPSR and the Commission's proposed goal of reducing the risk of poverty.[108] In total, 13 out of 20 principles of the EPSR are addressed, including all four of Chapter 1 ("Equal opportunities and access to the labour market"), half of the principles of Chapter 2 ("Fair working conditions") and three-fifths of the principles of Chapter 3 ("Social protection and inclusion").[109]

The Commission offers a positive assessment of the reform projects planned in the course of the RRP in active labour market policy and in the education system. In order to increase the participation of older people in the labour market, the Slovenian government does not want to expand social benefits, but to cut them: in the course of a pension reform planned for 2024, early retirement options are to be minimised, thus increasing the effective duration of employment. The crisis resilience of the labour market is to be strengthened through the introduction of a short-time work scheme. Furthermore, the Commission highlights the planned measures for vulnerable groups, such as improved access to affordable housing for young people and the socially disadvantaged, adapting the workplace environment to people with disabilities and plans to improve gender equality. In addition to the reform of the pension system, the reforms of the health care and long-term care system are welcomed.[110] Slovenia has made "some progress" on many social recommendations from the 2019 and 2020 CSRs, and even "substantial progress" in crisis management.

However, only "limited progress" has been made in reforming the pension system, strengthening the employability of older people and digitalisation in the health sector.[111] Although the Commission refers to the use of the ESF+ for plans to activate labour market policy and combat poverty, it sees the most poten-

103 European Commission, *Commission Staff Working Document. 2022 Country Report – Spain Accompanying the Document Recommendation for a Council Recommendation on the 2022 National Reform Programme of Spain and Delivering a Council Opinion on the 2022 Stability Programme of Spain*, SWD(2022) 610 final (Brussels, 23 May 2022), 30f.

104 Ibid., 6.

105 Ibid., 49f.

106 Ibid., 13—17.

107 Government of the Republic of Slovenia, *Načrt za okrevanje in odpornost* [Recovery and Resilience Plan], June 2021, 505—10, https://www.eu-skladi.si/sl/dokumenti/rrf/01_si-rrp_23-7-2021.pdf (accessed 20 October 2023).

108 Ibid., 458.

109 Not addressed in the context of the ESSR are wage and minimum income policies (principles 6 and 14), employment conditions and protection in case of dismissals (7), social dialogue (8), childcare (11), social protection (12) and essential services (20).

110 European Commission, *Commission Staff Working Document. Analysis of the Recovery and Resilience Plan of Slovenia Accompanying the Document Proposal for a Council Implementing Decision on the Approval of the Assessment of the Recovery and Resilience Plan for Slovenia*, SWD(2021) 184 final (Brussels, 1 July 2021), 39—47.

111 European Commission, *Commission Staff Working Document. 2022 Country Report – Slovenia Accompanying the Document Recommendation for a Council Recommendation on the 2022 National Reform Programme of Slovenia and Delivering a Council Opinion on the 2022 Stability Programme of Slovenia*, SWD(2022) 626 final (Brussels, 23 May 2022), 26f.

tial in the planned fundamental reforms of the social systems: “Three flagship reforms of the RRP intend to address challenges linked to a rapidly ageing society, as well as help implement the European Pillar of Social Rights. These ambitious reforms of pensions, health care and long-term care are set to go a long way in modernising Slovenia’s social welfare system.”[112]

The Commission is not only concerned with the service side, which, for example, has already been expanded in the health care system in recent years, but also with potential savings to ensure financial sustainability.[113] In the Country Report 2022, it finds fault with some social aspects that previously played no or only a minor role. For example, the Commission criticises the quality of the social dialogue and points out differences in learning outcomes between the sexes as well as between the native-born and immigrants from abroad.[114]

Seize the opportunity or let it pass

It is too early to see from the Social Scoreboard what impact the social investments and reforms planned in the RRPs will have.[115] Conversely, it is possible to see the extent to which Member States intend to use EU funds to address the identified social deficits in their plans up to 2026.

Whereas Germany and Spain only selectively include the EPSR in their RRPs, Slovenia shows how the planning of crisis measures can also succeed in social matters with the help of the EPSR principles. It is not that the other two states ignore the Pillar or do not plan any social policy measures — about a quarter of the financial grants from the RRF go to the social sector in each case; in Spain this is almost 16 billion euros. But a detailed linkage to the principles of the EPSR, a recognisable implementation of the Pillar — as urged at the Porto 2021 Social Summit — is particularly evident in the Slovenian crisis plans. This is the case despite the fact that the country is far above the European average in most indicators in the Social Scoreboard, thus placing it in the best in class in the EU, and it has budgeted only 769 million euros in absolute terms in the social sector.

The assessments of the national recovery plans by the Commission and the Council are rather superficially positive in 2021 — possibly due to time pressure or in order not to jeopardise the overall project.[116] The fact that Germany is slow to implement the CSRs of 2019 and 2020, as some of its social indicators deteriorate considerably, is the Commission’s pretext one year later to denounce the country’s insufficient steps towards improving the social situation and implementing the EPSR. This clearly shows the already discussed holistic understanding with which the Commission looks at economic and social challenges: More social investment to reduce inequality and policies to strengthen the lower-income groups would help reduce Germany’s current account surplus. In the words of the Commission: “Policies that increase disposable incomes particularly among low- and middle-income households, which have an above-average propensity to consume, could help external rebalancing, while also fostering more inclusive growth.”[117]

Almost two-thirds of the 6.7 billion euros from the RRF budgeted for the German social sector are earmarked for investments and reforms in the health care and long-term care system. Other areas are now considered by Brussels to be neglected, which is why there is a specific call to reduce inequalities at all levels.[118] These demands correspond to the results of the social indicator analysis carried out in this paper:

112 Ibid., 6.

113 Ibid., 9.

114 Ibid., 46f.

115 European Commission, *Report on the Implementation of the Recovery and Resilience Facility*, COM(2022) 75 final (Brussels, 1 March 2022), 53.

116 Overall, the European Commission gives a very positive assessment of the plans submitted by the Member States and revised in direct consultations. In the first three assessment criteria relevant to the social dimension — see “Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility” (see note 20), Art. 19 (a-c) — all Member States receive the highest rating. The final implementing decisions adopted by the Council also follow this assessment.

117 European Commission, *In-depth Review for Germany in Accordance with Article 5 of Regulation (EU) No. 2011/1176 on the Prevention and Correction of Macroeconomic Imbalances*, SWD(2022) 629 final (Brussels, 23 May 2022), 6, https://economy-finance.ec.europa.eu/document/download/0457c794-2ed5-41e6-9de7-030c92455d9c_en?filename=germanyswd_2022_629_1_en_autre_document_travail_service_part1_v1.pdf (accessed 20 October 2023).

118 See also Björn Hacker, “National Recovery and Resilience Plan: Germany”, *Italian Labour Law E-Journal* 15, no. 1S (2022), doi: 10.6092/issn.1561-8048/15651.

On the particularly negatively positioned indicators from Chapter 1 of the EPSR (early school leavers, S80/S20) and Chapter 3 (at-risk-of-poverty, child poverty, inclusion, housing costs, childcare), Germany uses its RRP solely for the areas of education and childcare, for which about one-third of the budgeted social expenditure is spent.

According to the European Commission, Germany is doing too little to improve its social situation.

In contrast, Spain is praised for comprehensively addressing the numerous social challenges with the help of the RRP and resources from the Cohesion Fund. Measured against the tasks resulting from the development of the social indicators, Spain's plan focusses strongly on the education and labour market-related deficits from Chapter 1 of the EPSR. The fight against poverty and inequality and the strengthening of social protections are also taken up, but with lower priority. This prioritisation is reflected in the planned distribution of funds. It originates from the fact that the RRP prioritises economic deficits and the lack of economic resilience.[119]

Slovenia is also given a positive assessment for using the crisis instrument for the social sector, especially since structural reforms that have been needed for some time are now to be initiated. The model pupil receives much praise from the Commission for its exemplary implementation of the EPSR. In view of the overall very good development of the social indicators, the need for action is most critical in the health care system and in inclusion policy. However, Slovenia is using its RRP to initiate social investments and reforms on a broad front, whereby most of the funds (45 per cent) are to be invested in the health care and long-term care system. At the same time, new criticisms are addressed by the Commission in 2022, and it is clear how the focus is shifting — away from the expansion of social benefits towards recommendations of benefit reductions and financial sustainability.[120]

By systematically assigning its reform projects in the RRP to the principles of the EPSR and explaining them accordingly, the Slovenian government is the only one among the three states analysed to adopt a model that the Spanish government already started in its NRP in 2019 and continues in the 2022 European Semester cycle. The German government only starts to use the Pillar in a similar systematic way in its NRP in 2022. However, according to the RRP, Slovenia does not continue the extensive reporting on the principles of the Pillar in the NRP 2022 and instead focusses on the three objectives of the EPSR Action Plan.[121]

119 Ane Aranguiz, "National Recovery and Resilience Plan: Spain", *Italian Labour Law E-Journal* 15, no. 1S (2022), doi: 10.6092/issn.1561-8048/15682.
120 Polona D. Muren and Valentina Franca, "National Recovery and Resilience Plan: Slovenia", *Italian Labour Law E-Journal* 15, no. 1S (2022): 11f., doi: 10.6092/issn.1561-8048/15691.

121 See the NRPs of Germany, Spain and Slovenia 2019 and 2022 respectively (see note 86).

Conclusions

Under the pressure of social upheavals and divergences caused by the cascade of severe economic crises of the last 15 years, a central characteristic of European identity was in danger of being sacrificed. "The European social model has already gone when we see the youth unemployment rates prevailing in some countries," said Mario Draghi as President of the European Central Bank during the euro crisis.[122] To what extent can the EPSR, announced in 2017, contribute to preserving this model? Finally, the Pillar reiterates that the Treaties state in Articles 3 Treaty on European Union (TEU) and 9 TFEU that the objective is to promote social cohesion and progress in the Union and to establish a *social* market economy.

So far, there are no voices that consider the Pillar — as it was once called with regard to the OMC — as a "neo-liberal Trojan horse", with the help of which the national welfare state is to be dragged down.[123] Even many critics recognise the EPSR as a compass at the very least. It is also looked upon favourably that even before it was announced, a slow but steady "socialisation"[124] of EU economic governance carried out via the European Semester had already begun. Without a doubt, the Commission in particular has succeeded in reactivating and keeping alive the political discourse on Social Europe by making consistent reference to the EPSR. At the same time, the Pillar is given a firm place in distributive EU social policy by weaving its principles into the objectives of the new funding period. And because all regulatory social policy projects of the EU are justified with the necessary implementation of the EPSR, its objectives remain anchored and up-to-date. But beyond its function as a social compass, the implementation of the Pillar lies in the area of soft governance. Accordingly, Thorsten Schulten and Torsten Müller see the decisive paradigm shift towards strengthening Social Europe less in the existence of the EPSR than in the implementation of the 2022 directive for adequate minimum wages in the EU.[125]

The Social Scoreboard accompanying the EPSR shows in the aggregated view since 2017 that the social situation is slowly but steadily improving. This is especially true for labour market data. So the good news is: The EU is growing and emerging from the severe economic crises, and the SURE short-time work instrument has been playing a significant role in this. The bad news is: The consequences of the crises are reflected in low average levels of equal opportunities, social protection coverage and inclusion. In addition, the labour market indicators that are developing positively in the Scoreboard do not yet reflect the principles of high-quality and safe work cited in Chapter 2 of the EPSR ("Fair working conditions"). The EU has shown a persistent tripartite social structure over the last years. There is a small group of particularly well-developed welfare states, a large group of countries that are just average regarding their social situations and a small group of Member States in southern and south-eastern Europe that are still far from the European average in social terms.

In addition to the levels of socio-economic development and the different degrees to which the countries have been affected by the recent economic crises and their management, political decisions made in the Member States are also the reason for the tripartite division. Thus, with a view to the Social Scoreboard, individual countries break through familiar patterns of comparative welfare state research and economic

122 European Central Bank, "Interview with The Wall Street Journal", 24 February 2012, https://www.ecb.europa.eu/press/key/date/2012/html/sp120224.en.html (accessed 20 October 2023).

123 Jonathan Zeitlin, Egidijus Barcevičius and J. Timo Weishaupt, "Institutional Design and National Influence of EU Social Policy Coordination: Advancing a Contradictory Debate", in *Assessing the Open Method of Coordination. Work and Welfare in Europe*, ed. idem (London, 2014), 1–15 (5f.).

124 Zeitlin and Vanhercke, "Socializing the European Semester" (see note 6).

125 Thorsten Schulten and Torsten Müller, "A Paradigm Shift Towards Social Europe? The Proposed Directive on Adequate Minimum Wages in the European Union", *Italian Labour Law E-Journal* 14, no. 1 (2021): 1–19, doi: 10.6092/ISSN.1561-8048/13368.

development disparities. The case countries in this paper were selected on the basis of very different results in the Scoreboard from 2017 to 2021. Central Eastern European Slovenia shows itself to be a model pupil of social development, whereas in southern European Spain one can see an arduous exit from the euro crisis, but also the will for social progress. And the conservative welfare state of Germany has astonishingly high social deficits outside of the labour market. They are probably the result of a policy of labour market flexibilisation and low public investment levels adopted 20 and 30 years ago, respectively, and reflected in the country's persistent current account surplus.

Overall, the EPSR is used erratically in and by the Member States; in any case, the ball is in their court should they wish to pursue more social progress. To what extent can the Next Generation EU package really be a "game changer"? In addition to the priorities of climate protection and digitalisation, which the EU set for when funds from the RRF are used, social progress was given a similarly high ranking with the Porto 2021 Social Summit. On average, Member States have earmarked 28 per cent of their RRF allocations towards social investments and reforms, although the prioritisation is sometimes surprising when measured against the level of development identified in the Social Scoreboard. The worst-performing countries, for example, devote relatively small percentages to social issues. In absolute figures, however, in view of the very different allocations of RRF funds to the Member States, large sums are also spent on social issues in the socially poorest states, as the example of Spain shows with almost 16 billion euros. One must add to this correspondingly larger shares of funds from the ESF+ and other Cohesion Funds for employment and social policies for these countries.

Nevertheless, Member States are using the possibilities offered by RRF funding very differently, and they are only partially taking into account the challenges arising from the Social Scoreboard. Germany prioritises improving its health care system and addressing negative outcomes in childcare and education. But the other building blocks — social inequality, growing poverty and poor integration — are hardly addressed in the German RRP. Spain focusses on education and labour market issues, which seems to be necessary according to the Scoreboard. Equally necessary, however, would be to address the high rates and growing risks of poverty — concerns that have taken a back seat. Slovenia, on the other hand, shows how the EPSR can be used at the national level in the planning and reporting of the European Semester to steadily improve the social system of a country that already shows excellent results in the Scoreboard.

Although the EU has undoubtedly moved away from the austerity course of the euro crisis, it is questionable to what extent social progress was driven by Member States in the context of crisis management during the pandemic. Rainone analysed the Commission's assessments of Member States' RRPs and the CSRs from 2022. This analysis shows a focus on activating labour market policies, whereas there are few plans for employment protection and fair working conditions. Although all countries are expanding their social safety nets to varying degrees with the help of the RRF, some RRPs include reform plans primarily to strengthen the financial sustainability of health care, long-term care and/or pension systems — which was supported by the Commission and the Council. Rainone concludes that even in the context of the pandemic, with a correspondingly changed setting, most Member States did not respond to the Commission's call to launch significant reforms and initiatives in employment and social policy. The EPSR is not sufficiently equipped to bring about upward social convergence in the EU, and while the latter has "distanced itself from the commodifying approach prevalent during the Euro Crisis, it has not fully rejected it".[126]

The results of the research conducted here also confirm that the EPSR has the greatest impact where it is accompanied by complementary financially backed measures. These include the short-time work instrument SURE and the provision of additional funding for social investments and reforms under the RRF and the Cohesion Fund. There is a certain bitter irony in the EU's role as a major issuer on the international capital markets in raising funds for new social investments. The money from the Next Generation EU package is to be repaid by 2058 with planned EU-wide taxes, which could give new impetus to calls for a supranational fiscal policy of its own. An alternative to supranational programmes is to reduce the budgetary restrictions on Member States in the crisis, as achieved with the temporary suspension of the Stability and Growth Pact.

126 Rainone, "From Deregulatory Pressure to Laissez Faire" (see note 85).

Six years after the EPSR was announced, Social Europe, after having temporarily ceased to play a role, is again a subject of political discourse. The social situation is improving, but more is needed to overcome corresponding divergences in the EU and to make the idea of a European Social Union with its own model character or paradigmatic claim come true:

- In order to strengthen the social dimension of the EU, the monitoring of the implementation of the EPSR should be improved, and specifications for the social policy reporting of the Member States in the European Semester should be made from Brussels. The Social Scoreboard needs indicators that can be used to measure "good work", as otherwise it only covers employment trends but not working conditions. As started with the EPSR Action Plan, beyond the three indicators found, social targets should be agreed by the Member States. Progress should not only be reported regularly by the Member States and evaluated by the Commission and the Council. There should also be regular debates on the development of social indicators at the national level — for example in parliaments with the involvement of social partners and civil society actors such as welfare associations. Only if the social situation of one's own country in comparison to neighbouring countries is known and discussed here will a European-based discourse succeed, as it already exists for economic policy.[127] In order to record the social situation more stringently in a comparative perspective within the Member States and in the European discourse, the creation of a procedure on social imbalances — as proposed by the governments of Belgium and Spain in 2021 — would be a good idea.[128] It would include a warning mechanism to provide alerts and encourage policy action when social objectives are missed.
- In order to safeguard the specific European Social Model — also in the sense of Europe's strategic sovereignty[129] — the EPSR should be accompanied by financially underpinned instruments that support it and contribute to the realisation of its principles. The crisis management during the pandemic — in contrast to the austerity policies of the euro crisis — showed the positive effects of the implementation of SURE, with only a comparatively small drop in employment as a result. This success could be made permanent if SURE were further developed into a European unemployment insurance scheme that serves as an anti-cyclical crisis instrument. The Next Generation EU package has also enabled the Member States to set a positive course. For certain agreed goals of European policy (such as social support for the twin transformation), a follow-up fund or a special allocation could be established in the next Multiannual Financial Framework to finance social investments.[130] However, apart from Community programmes, the creation of financial leeway in the Member States is crucial for social progress. This must be taken into account when the Stability and Growth Pact is adapted within the framework of the planned reform of economic governance.[131] In addition to budgetary aspects, growth and investment in the future as well as prosperity orientation should be sufficiently taken into account, for example through a so-called Golden Rule.[132]

127 Mark Hallerberg, Benedicta Marzinotto and Guntram B. Wolff, "Explaining the Evolving Role of National Parliaments under the European Semester", *Journal of European Public Policy* 25, no. 2 (2018): 250–67.

128 [Federal Government of Belgium/Government of Spain], *Belgian-Spanish Non Paper ahead of the Porto Social Summit*, April 2021, https://europeanunion.diplomatie.belgium.be/sites/default/files/2023-05/Belgian-Spanish%20Non%20Paper%20ahead%20of%20the%20Porto%20Social%20Summit.pdf (accessed 20 October 2023). See also Sebastiano Sabato, Bart Vanhercke and Anne-Catherine Guio, *A "Social Imbalances Procedure" for the EU: Towards Operationalisation*, Working Paper 2022.09 (Brussels: ETUI, 24 March 2022).

129 Understood as an increase in the capacity to act. See on the related concept of strategic autonomy: Barbara Lippert, Nicolai von Ondarza and Volker Perthes, ed. *European Strategic Autonomy. Actors, Issues, Conflicts of Interests*, SWP Research Paper 4/2019 (Berlin: Stiftung Wissenschaft und Politik, March 2019), doi: 10.18449/2019RP04.

130 Francesco Corti, Alessandro Liscai and Tomas Ruiz, "The Recovery and Resilience Facility: Boosting Investment in Social Infrastructure in Europe?", *Italian Labour Law E-Journal* 15, no. 1S (2022): 15–30, doi: 10.6092/issn.1561-8048/15706.

131 European Commission, *Communication on Orientations for a Reform of the EU Economic Governance Framework*, COM(2022) 583 final (Brussels, 9 November 2022), https://economy-finance.ec.europa.eu/document/download/43105168-be28-463e-81e7-8242c59f0cd2_en (accessed 20 October 2023).

132 Achim Truger, "Reform der EU-Fiskalregeln nach Corona wichtiger denn je", *Wirtschaftsdienst* 101, no. 2 (2021): 94–98, doi: 10.1007/s10273-021-2849-x.

For political actors in Germany, it is advisable to adopt the holistic understanding of economic and social challenges as conveyed by the Commission. Social inequality and the country's current account surplus are not separate spheres. In its NRP 2022, the centre-left federal government began to deal closely with the principles of the EPSR. This is a good starting point for parliamentarians of the German Bundestag in conducting comparative debates with European partners, not only in the budgetary sphere, but also with a view to investment and social policies. Political mistakes of the past regarding labour market flexibilisation and social investment should be corrected more comprehensively than has been the case so far. This would not only improve social indicators, but also help to correct macroeconomic imbalances in the EMU. The dual economic *and* social objectives of European coordination policy must be internalised. For Germany's European policy initiatives, this could be a source of inspiration when it comes to preparing new EU instruments of socio-economic governance or revising existing ones.

Abbreviations

AROPE	At Risk of Poverty or Social Exclusion
CSRs	Country-Specific Recommendations
DARP	Deutscher Aufbau- und Resilienzplan
DIW	German Institute for Economic Research / Deutsches Institut für Wirtschaftsforschung
EMU	Economic and Monetary Union
EPSR	European Pillar of Social Rights
ERDF	European Regional Development Fund
ESF+	European Social Fund Plus
ETUI	European Trade Union Institute (Brussels)
EU	European Union
GDP	Gross Domestic Product
ILO	International Labour Organization
NEET	Not in Employment, Education or Training
NRP	National Reform Programme
OMC	Open Method of Coordination
PPS	Purchasing Power Standard
RRF	Recovery and Resilience Facility
RRP	Recovery and Resilience Plan
SURE	Support to mitigate Unemployment Risks in an Emergency
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union