



Stuck on the Rubicon? ‘Socializing’ the European Semester through the European Pillar of Social Rights

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ABSTRACT

The European Pillar of Social Rights (EPSR) is the Commission's flagship initiative to achieve the objective of a 'social triple-A' for the European Union. First introduced in the 2015 State of the Union address, the Pillar has become a reality in the EU legal and policy framework in April 2017, with the presentation of a package of acts and documents forming its backbone. In November 2017, the EPSR has been officially recognised by the EU institutions by means of an Interinstitutional Proclamation.

The future of this initiative seems to be primarily bound to its capacity to steer Member States' policies through the mechanism of the European Semester. As the cornerstone of the post-crisis regime of economic policy coordination in the EU, the Semester has been criticized in the academic debate for its role in the subordination of social goals to fiscal and macroeconomic imperatives and the stranglehold of economic-oriented policy actors on the process. The need to rebalance the economic and social dimensions of the Semester was also explicitly included by the Commission amongst the EPSR's declared objectives.

Within the current debate over the scope and standing of the European Pillar of Social rights, this paper aims to examine how the EPSR can contribute to the rebalancing of the Semester towards social policy objectives. To this end, the paper conducts an in-depth qualitative analysis of the contents of the Semester 2018 and compares such contents to those of the previous years. Moreover, we rely on fourteen interviews with key decision-makers and policy officials in order to determine the impact of the EPSR on the actual functioning of the policy-making procedures within the Semester.



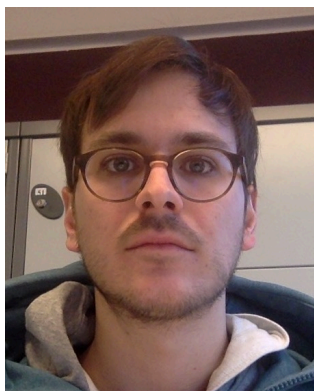
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LIST OF ACRONYMS

AGS	Annual Growth Survey
CR	Country Report
CSR	Country-Specific Recommendation
CJEU	Court of Justice of the European Union
DG ECFIN	Directorate-General for Economic and Financial Affairs
DG EMPL	Directorate-General for Employment, Social Affairs and Inclusion
ECOFIN	Council 'Economic and Financial Affairs'
EDP	Excessive Deficit Procedure
EFC	Economic and Financial Committee
EMCO	Employment Committee
EPC	Economic Policy Committee
EPSCO	Council 'Employment, Social Policy, Health and Consumer Affairs Council'
EMU	Economic and Monetary Union
EU	European Union
EPSR	European Pillar of Social Rights
GDP	Gross Domestic Product
SG	Secretariat-General
SGP	Stability and Growth Pact
SPC	Social Protection Committee
TFEU	Treaty on the Functioning of the European Union



STUCK ON THE RUBICON? 'SOCIALIZING' THE EUROPEAN SEMESTER THROUGH THE EUROPEAN PILLAR OF SOCIAL RIGHTS

1. Introduction

'A social triple-A rating for Europe': this is the formula chosen by the President of the Commission *in pectore*, Jean Claude Juncker, to label his plan to reinforce the social dimension of the European Union (EU) when he first addressed the Parliament in October 2014 (Juncker, 2014). The European Pillar of Social Rights (EPSR) is the Commission's flagship initiative to achieve this objective. First introduced in the 2015 State of the Union address, the Pillar became a reality in the EU legal and policy framework in April 2017, and has been officially proclaimed by the European Parliament, the Commission and the Council in the following November.

The core of the pillar is represented by a list of twenty principles, structured around three categories:

- equal opportunities and access to the labour market,
- fair working conditions, and
- social protection and inclusion.

Those principles are intended to consolidate the existing *acquis* in the field of social policy, and to serve as a guide for future action both at the Eu and the Member States' level, with the aim is 'to support fair and well-functioning labour markets and welfare systems', and to steer 'a renewed process of upward convergence towards better working and living conditions in Europe' (European Commission, 2017g).

As argued by Sabato and Corti (2018), the EPSR can be considered as a new EU social policy framework, i.e. a 'policy infrastructure putting together in a coherent manner the various elements of a public policy, from agenda-setting to implementation'. Such an EU social policy framework could serve three functions, and its effectiveness should be assessed against them:

- revamping the EU social agenda and revitalising the EU social policy arena;
- steering the direction of Member States' policies; and
- influencing EU macro-economic and fiscal policies, thus rebalancing the EU social and economic dimensions.

At the moment of writing, the Pillar still appears as an open-ended construction, and its evaluation will necessarily very much depend on whether and how much it will contribute to mainstream the principles it affirms throughout the EU policies (Rinaldi, 2017). In particular, the Commission has explicitly stressed that its priority for the implementation of the Pillar consists of steering Member States' policies through the mechanism of the European Semester. Commissioner Thyssen herself - while presenting the new Semester cycle - declared: "I firmly



believe that with this Semester Cycle, we have put another important brick to build the Pillar as the fundament of a more social, fair and future-proof Europe”.

Against this background, the aim of this paper consists of examining the impact of the Social Pillar on the European Semester cycle, especially with regard to the emergence of a social policy dimension within the Semester procedures. Drawing on the so-called “socialization formula”, put forward by Zeitlin and Vanhercke (2018), the paper investigates both the substantive (ideas expressed) and the procedural (actors and instruments) dimensions of the Semester. In the paper, the concept of “socialization” is threefold:

- firstly, it refers to a growing emphasis on social objectives in the Semester’s policy recommendations, as expressed in the Country Specific Recommendations;
- secondly, it implies an intensified monitoring, surveillance, and review of national reforms by EU social and employment policy actors;
- thirdly, it refers to a rebalance of powers between these actors relative and their economic policy counterparts in drafting, reviewing and amending the CSRs.

As regards the methodology, we move from content analysis of the European Semester 2018 documents and rely on fourteen interviews with key informants within the Commission, the European Parliament and the Council. The working hypothesis is that the advent of the EPSR marks another step in the rebalancing between social and economic aims and actors in EU’s economic governance.

The paper proceeds as follows:

- Section 2 begins with offering an overview of the drawbacks of the economic assumptions informing the EU policies, and will therefore shed a light on the economic rationale of the EPSR;
- Section 3 is dedicated to the description of the context, the structure, the content and the legal nature of the Pillar;
- Section 4 will critically present the functioning of the European Semester;
- Section 5 will assess whether and how the Social Scoreboard, and the EPSR, have influenced the content of the documents issued at the outset of the procedures grouped under the umbrella of the European Semester;
- Section 6 will investigate whether the entry into play of the Pillar has influenced the behaviour of the actors involved in the Semester;
- Section 9 will take stock of the analysis conducted throughout the paper and will present four policy proposals to enhance the potential of the Social Scoreboard in driving the objectives of equality, social cohesion and labour protection at the core of the overall framework of the EU economic governance.

2. The rationale for a ‘Social Pillar’: An economic analysis

‘It is the business of economists, not to tell us what to do, but show why what we are doing anyway is in accord with proper principles.’ is what Joan Robinson, one of the most important radical economists of all time wrote in 1962, just nine years before the end of the Bretton



Woods system marked the beginning of a new global economic system. In the following section, we want to discuss 'economic principles' which led to particular 'economic phenomena' which then motivated the introduction of a European Pillar of Social Rights. In other words, we want to provide an economic understanding of the underlying issues which led to the introduction of the EPSR.

As in many other parts of the world, the European Union is currently suffering from 'regional disparities'; i.e. different countries growing at uneven rates, with some developing relatively fast and others tending to be left behind. 'Multi-speed Europe', or 'two-speed Europe' are commonly used to describe the ongoing process of economic 'divergence' in the European Union (EU) and the European Monetary Union (EMU). An environment of fiscal austerity, falling (or stagnating) real wages, and increasing returns on capital has fuelled this phenomenon in the last two decades and left western societies deeply divided. Given that material conditions ultimately determine the 'social' well-being of individuals, policymakers need to address the multiple layers of economic divergence to deliver 'a social triple-A rating for Europe'.

In the following section we identify two economic principles that led to and sustained European divergence and the deterioration of living standards: unequally distributed institutional settings and a supply-side focussed economic model. The European Pillar of Social Rights (EPSR) has the potential to reverse and/or stop those tendencies of divergence. This essay understands the pillar as a policy vehicle to rethink the hierarchy between the 'social' and the 'economic' goals, and as a chance to introduce a path towards 'social' and 'economic' convergence in Europe

According to Article 2 of the Treaty on European Union, the enhancement of economic and social cohesion is a fundamental element to achieve the community objectives of economic and social progress, a high level of employment and sustainable development. Over the past two decades, the EU primarily has made moves towards economic and monetary cohesion; the abolition of obstacles and barriers for goods and services, the Maastricht Treaty of 1993, which established the European monetary union and an integrated capital market, as well as a single European currency (EUR) and a European Central Bank (ECB).

Policies and policy recommendations for countries in the EMU have particularly focused on the so-called 'national convergences criteria'. Those are the monetary conditions required for states to qualify for membership of the Eurozone, relating to price stability, low interest rates, stable exchange rates, and limits to the size of their budget deficits and public debt. Elements concerning the objective of social cohesion have been largely absent from the catalogue. Apart from that, there seems to be a bias in policies towards convergence among EMU countries, with countries on the periphery being left behind. Hence, the rationale for the dichotomy between the EU and the EMU as well as between 'economic' and 'social' convergence can be found in the fundamental structures of European policy.

In response to the crisis in 2008, the European Union emphasised the role of fiscal consolidation, i.e. austerity, to ensure an economically stable union. This however, stood in sharp contrast to the United States of America, which triggered a set of Keynesian policies of active government spending to overcome the crisis and to stabilise the economy. Regardless of that, Europe pressed on a 'balanced fiscal path', and the deregulation of markets. Reforms and policy



suggestions in the EU largely focussed on cost-competitiveness; i.e. the reduction of labour costs. Those structural changes of the European economy were aimed to boost the 'supply-side' and triggered a 'race to the bottom' in terms of wages and market regulation. The European Semester as a policy vehicle stands proud in this tradition and specifically aims to foster such a 'supply-side' environment. This is in sharp contrast to economic policy in the 1960s and 1970s which focussed on 'demand-side' factors such as incomes and public investment.

As mentioned above, the social outcomes of 'competitiveness' and a 'balanced fiscal path' have been ignored. Income distributional effects of economic policy and the economic system have disappeared from the debate. A progression in the development of social rights, such as healthcare, equal opportunities and child care for every European citizen have also not been on the tables in the last two decades. An environment was created, where all policies must be subordinated to fiscal goals and the production process. Social prosperity was expected to be achieved *ex-post* and without intervention into market forces.

The economic principles where this misconception of economic policy in the EU is rooted, is the domination of a neo-classical supply-side analysis, which is often referred to as 'neo-liberalism' (Harvey 2009, Lavoie 2015). Models of the neoclassical growth and convergence theory (Romer 1986, Solow 1956) underpin the EU's economic policy today. Those models predict that per capita incomes of different 'regions' will eventually converge to a joint equilibrium steady path of growth; i.e. all regions are supposed to end up on a similar level (-and growth) of incomes per capita. The intended dynamic behind convergence is that poorer regions are initially grow faster to catch up with richer regions up until they converge to this common growth path. The promoted condition for convergence is free-market capitalism, where any state intervention prevents natural market forces in their making.

Recent influential works such Reinhart and Rogoff (2010), Blanchard and Wolfers (2000), and the policy analyses by the OECD, and the ECB are firmly anchored in this theory. The implications from this approach can be summarised as advocating an optimal 'input' environment; i.e. flexibility of labour and capital. Particularly, the flexibility of labour in terms of salary, implies that socially desirable material conditions are the outcome of a system, and not its condition. Hence, the 'social' sphere is inherently subordinated to the 'economic' sphere. It is precisely here, where the European policy such as the European Semester must be rethought, reinvented, and put on its head.

Barro and Sala-i Martin (1992) highlighted the significance of homogenous institutions for a successful catch-up process. For market economies to succeed in a convergence towards similar economic outcomes, the institutional environment must be adjusted first. Otherwise forces of divergence, i.e. the concentration of capital and productive labour, as described by Kaldor (1970, 1981) and Perroux (1950, 1955) will foster regional divergence. In a case of unequal institutional settings, poorer regions will become poorer (and more inefficient) and richer countries will become richer (and more efficient). Productive forces in terms of technology, labour and capital will continue concentrating in rich agglomerates, and the living standards of the periphery will further decrease. Demand disparities further divide the regions inequality. Documents such as the Five Presidents' Report highlight this ongoing process of divergence for the EU but is largely ignored among policy makers. Possible solutions to make poorer regions



more attractive for productive labour have been highlighted by Adranghi et al (2016) that focused on the institutional development of regions guided by Union-level mechanisms, but does not answer how to arrive to specific strategies for specific regions.

So far, we have diagnosed two interdependent issues which lead to diverging living standards in the European Union and the EMU. First, the subordination of the 'social' outcome to 'economic' goals, i.e. labour market deregulation and austerity. Second, unequal institutional settings which prevent labour mobility, productivity transfers and the catch-up process. A European Pillar of Social Rights could tackle both issues simultaneously. Action points under the category of 'Social Protection and Inclusion' could countervail the destructive results of austerity and labour market conditions. All points within this category clearly put the social well-being of workers over reducing unit labour costs. The remaining points can create an environment of a more equal institutional setting in the EU which counterbalances the concentration of productive forces in agglomerates. However, the current proposal from the European Commission is by far not ambitious enough and we want to raise two major shortcomings of the current proposal.

First, while we welcome the emphasis on the social dimension in some of the action points, we still urge for a reconsideration of the current economic model. The EPSR shall not end up to be a vehicle to justify the continuation of supply-side economics, but the starting point for an economic policy where social prosperity creates economic prosperity; bottom-up. A rethinking of the economy towards a wage-led growth model that fosters the material conditions of all citizens as a pre-condition for economic growth (Stockhammer 2008, 2013) is more relevant than it has ever been.

Second, the fiscal dimension is not clear. The EPSR introduces a minimum standard of labour market institutions and social well-being, but it fails to include rules and plans for expansionary fiscal policy. Particularly the EMU must tackle the issues of the dichotomy between a centralised monetary policy and a regionalised fiscal policy, which again is bound by centralised fiscal goals. Hence, individual countries have very little space for any form of economic policy, which becomes particularly evident in the presence of 'asymmetric shocks'. Here, we urge for a coordinated expansionary fiscal policy in the form of 'social' investment and 'green' investment. This also allows the EMU to absorb asymmetric shocks and the EPSR can become more than just a cure for the pain of austerity but a remedy for inequality. It can become the way forward for social cohesion accompanied by state investment for economic prosperity.

3. The Social Pillar in legal terms: context, structure and nature

As discussed in the previous section, the EPSR is conceived in an environment in which 'social' outcomes are consistently subordinated to 'economic' objectives, with the result of jeopardising the achievement of both types of results. Such conception is deeply rooted in the foundation of the EU architecture, since before the establishment of the EMU, and way beyond its scope. Historically, the 'social side' of EU policies has progressively developed as a functional spill-over of market integration, being conceived as logically subordinate and legally ancillary to it (Watson, 2014). As a result, it has been argued that a 'constitutional asymmetry' exists between



the 'economic' and the 'social' sphere at the foundations of the EU economic governance architecture, privileging the first one at the expense of the second (Parker and Pye, 2017).

The EU competence in the field of social policy is relatively limited, although it has progressively increased. Originally, EU competence in the field of social policy was very narrow, and only complementary to the overarching objective of the construction of an integrated single market. With the completion of the single market at the end of the 80's, and the extension of the objectives of the newly created European Union, the Treaty was progressively amended to incorporate a wider competence of the EU institutions about social policy. However, the possibility to legislate in the field has remained essentially limited to the sectors that were considered as complementary to the rules governing the functioning of the internal market, with the limited exception of the creation of a specific legal basis about the principle of non-discrimination (Barnard, 2012; Watson, 2014).

The bulk of the current 'EU social *acquis*', therefore, consists of rules aimed at ensuring the smooth functioning of the single market by preventing unfair competition in the labour market and addressing the cross-border issues that could potentially hinder the free movement of workers (mainly in the fields of working conditions, co-ordination of social security systems, and non-discrimination) (Barnard, 2012; Watson, 2014). Next to this set of hard law, some instruments based on soft law have been put in place, mixing an inter-governmental approach with an anchor within the EU institutional structure (e.g. the use of the Open Method of Coordination in the field of employment policy) (Ashiagbor, 2005; Velluti, 2010).

The 'Social Pillar package', presented by the Commission on 26 April 2017, and signed in Gothenburg on 17 November 2017 in the form of an Interinstitutional Proclamation, aims at consolidating and integrating the mentioned *acquis*.

The Commission initiative of 26 April 2017 is centred around a Recommendation (European Commission, 2017a) enumerating 20 principles and rights, structured around three categories (equal opportunities and access to the labour market, fair working conditions and social protection and inclusion), with the aim 'to support fair and well-functioning labour markets and welfare systems, [...] for a renewed process of upward convergence towards better working and living conditions in Europe' (European Commission, 2017g). Next to the Recommendation, the Commission presented a Proposal for an Interinstitutional Proclamation (European Commission, 2017b), of identical content, which formed the basis for the actual Proclamation formalised (with some minor amendments) in November (European Parliament et al., 2017). The Recommendation is supplemented by a Communication (European Commission, 2017c) and a more detailed Working Document (European Commission, 2017d), further determining the content of the 20 principles and rights established in the main document and sketching out the basic guidelines for their implementation at the national and at the supra-national level. Moreover, the Commission initiative included a Social Scoreboard (European Commission, 2017e), consisting of a set of indicators designed 'to screen employment and social performances of participating Member States' (European Commission, 2017e: 2), and therefore to monitor and measure the implementation of the rights and principles enounced in the Pillar. Finally, the 'Social Pillar package' of April 26th also enclosed a Reflection Paper on the social



dimension of Europe (European Commission, 2017f), and several actual policy instruments, including three legislative proposals.

The Social Pillar is founded on a holistic approach to social policy by the defined range of principles and openness of possible implementation. In practice it aims, on the one hand, at bringing under the same umbrella the principles and rights scattered within the EU legal *acquis* in the social and economic field. On the other hand, it sketches a strategy for their implementation by pointing at the existing tools at the national and at the EU level.

At the EU level, in particular, such strategy is essentially based on a threefold approach: first, where possible, the enactment of secondary legislation in order to set certain standards in the field of working condition or social protection; second, the use of the existing instruments for macroeconomic convergence in order to ensure the application of the necessary measures; third, financial support through the use of available EU funds (European Commission, 2017c).

It is also relevant to remark that the EPSR has been initially thought and presented as an instrument intended to address the existing imbalances within the EMU, rather than to offer a common ground for the attainment of social objectives throughout the EU as a whole. The idea behind the EPSR was, in fact, to partially counter the negative effects of the austerity policies imposed on the euro-area Member States at the outset of the crisis, hoping at the same time to put in place a mechanism capable to foster convergence amongst the Eurozone countries. For this reason, in the 2015 State of the Union address, the President of the Commission clearly stated his intention to “start with this initiative within the euro area, while allowing other EU Member States to join in if they want to do so” (Juncker, 2015). However, the Recommendation issued in April 2017 (and then the Institutional Proclamation adopted the following November) expressly refer to the EPSR as an EU-28 instrument (European Parliament et al., 2017). This amendment to the original design must be welcomed: first, because it prevents the EPSR from further contributing to the institutional, legal and political fragmentation of the Union, which in turn would result in an impairment of instruments such as the EPSR itself; second, because confining the rationale of the EPSR to EMU Member States would have been the result of the same flawed reasoning that keeps conceiving the ‘social’ objectives as ancillary to the overarching economic construction of the Union, instead of aiming at making them a constitutive part of the EU architecture as a whole.

Despite such ambitious objectives, however, the ‘Pillar package’ does not confer, as such, new rights to EU workers and citizens, or create new instruments or new competences for the European institutions (European Commission, 2017c). In short, from a legal point of view, we are not in presence of a new autonomous structure (a new ‘pillar’) in the EU constitutional architecture. In fact, although the attempt of unifying and re-orient the different initiatives in the field of social policy could have a distinctive political meaning and a significant material impact, from the constitutional point of view the innovation appears to be almost insignificant.

However, at a closer look, the Commission initiative does not appear to be entirely devoid of any legal relevance. The Recommendation on the EPSR is a soft law instrument adopted based on Article 292 TFEU: although it does not have legally binding force, it is however capable of



producing certain legal effects, as it has been consistently recognised by the CJEU.¹ In general terms, in fact, the Court tends to frame soft law instruments as a sort of voluntary institutional commitments, which lack legally binding force about third parties but produce legal effects as regards the institution issuing them, in relation to the principles of legal certainty and of transparency of the administrative action (Rasnača, 2017). In this sense, it has been argued that soft law can serve as ‘swords or shields’ for litigants in cases before the competent courts (Stefan, 2014).

The same argument is valid *a fortiori* for the Institutional Proclamation signed by the presidents of the Commission, of the Parliament and of the Council on 17 November 2017 (Rasnača, 2017). For this reason, although the extent of the legal obligations deriving from the Proclamation for the EU institutions is limited if compared to the significance of a constitutional document (Lörcher and Schömann, 2016), the EPSR is suitable to bind the institutions that signed and ‘proclaimed’ it to respect the principles it contains. In the appropriate context, this could contribute to re-orienting the action of the EU institutions towards social policy objectives (Rasnača, 2017).

In this sense, the Social Scoreboard deserves special mention. As mentioned above, the Scoreboard has been primarily attached to the EPSR as a tool to monitor progress about the implementation of the rights and principles enshrined in the Pillar. However, according to the EPSR Communication, it is also more specifically intended as an instrument ‘to inform policy guidance in the context of the European Semester of economic policy coordination’ (European Commission, 2017c: 3).

Several separate procedures, in fact, converge under the umbrella of the European Semester (see Section 4), each one of them being founded on different policy instruments with different degrees of binding force, and entailing different legal consequences. The fiscal rules underpinning the SGP are equipped with a ‘corrective arm’, consisting of the so-called Excessive Deficit Procedure (EDP). Such procedure (which is, in itself, autonomous from the European Semester, but is in fact triggered at the outset of the ‘preventive’ measures carried out within the Semester itself) allows the Council (upon a proposal from the Commission) to force a Member State not respecting its fiscal policy obligations under the SGP within a strict roadmap to correct its stance, and, failing that, to impose a fine that can amount to up to the 0,5% of the GDP of the concerned Member State. A similar (though not identical) procedure also exists about macroeconomic imbalances (De Streel, 2013).

For what concerns the Social Scoreboard, however, it is excluded that a set of binding standards for the Member States can be based on its indicators (Rasnača, 2017; ETUI, 2017). This confirms and reproduces within the European Semester the asymmetry between ‘social’ and ‘economic’ objectives and outcomes that was highlighted at the beginning of this Section.

¹ See, for example, CJEU (2005) *Alliance for natural health and others*, C-154/04 and C-155/04, ECLI:EU:C:2005:449; CJEU (2013), *Commission v Czech Republic*, C-241/11, ECLI:EU:C:2013:423.



4. The European Semester and the Challenge for Social Policy

The European Semester is the cornerstone of the post-crisis regime of economic policy coordination in the EU. Launched in 2010 and further codified in the Six Pack legislation, it takes the form of an annual cycle, which tries to integrate different coordination procedures. These procedures relate to various instruments such as the Stability and Growth Pact, the Macroeconomic Imbalance Procedure, and the Europe 2020 Strategy.

Each cycle of the Semester starts when the Commission publishes the “Autumn Package” in late November and consists of the Annual Growth Survey (economic priorities for the EU), the Euro area recommendation (policy recommendation for the Euro area), the Joint Employment Report (employment and social priorities), and the Alert Mechanism Report (macroeconomic imbalances in Member States). On this basis, the Commission then carries out an in-depth analysis of the socio-economic situation in each Member State, which results in the publication of the Country Report as part of the “Winter Package” released in February.

Member States discuss and adopt conclusions on the “Autumn Package” in the responsible Council configurations in winter before it reaches the table of the Spring European Council table. At the national level, they are also expected to prepare a reaction to the Country Report by putting together their National Reform Programmes (for economic policy) and Stability or Convergence Programmes (for fiscal policy).

As a final step, to match the socio-economic priorities of the EU with national policies, the Commission proposes Country-Specific Recommendations (CSRs) to the Council in May, which are then discussed and possibly amended in the Council at the technical level, and finally endorsed politically by the European Council in July.

As a process that deliberately interconnects a variety of policy fields, the European Semester raises several questions, among which that of the relationship between social and economic policy coordination in the EU (Zeitlin and Vanhercke 2017, Dawson 2018). Specifically, there is a debate in the literature about the merits of such a system of coordination for Social Europe.

Some researchers argue that the subordination of social goals to fiscal and macroeconomic imperatives as well as the stranglehold of economic-oriented policy actors on the process (Copeland and James 2013, de la Porte and Heins 2014: 9, Degryse, Jepsen, and Pochet 2014) make the process particularly harmful for Social Europe.

Other scholars share a more optimistic view on the place of social issues in the European Semester and make the case for its partial and gradual ‘socialization’. They point to the growing importance of social recommendations as well as the increased role of experts Committees belonging to the EPSCO family in the process (Zeitlin and Vanhercke, 2014; 2017).

Against this background, this section aims to establish that the incorporation of the Pillar in the European Semester does contribute in some ways to its so-called ‘socialization’. In so doing, we first identify and elaborate some of the key critiques of the European Semester, which are relevant for this paper. Then, we examine the impact of the incorporation of the Pillar in the European Semester considering both the ideas and the actors involved.



We discuss two core critiques of the European Semester in depth. Firstly, the narrow definition of the economy which underpins the European Semester and serves to exclude social concerns as well as a wide variety of actors. Secondly, and following from the first, the homogeneity of decision makers within the European Semester regime, the empowerment of a certain type of economic expertise. Additionally, it is important to highlight the significant distributional consequences of the Semester, for example in promoting economic policy that disproportionately impacts on women (O'Dwyer 2018), and that has contributed to a 'winner takes all' political economy (Matthijs 2016).

The European Union has consistently sought to define its economic space in such a way as to legitimise and enable deeper integration (Rosamond, 2002). This practice involves defining the singular "European Economy" in opposition to non-EU economies, such as that of the United States. This can be seen, for example, in the comparisons of growth figures used by President of the Commission, Juncker, in his most recent State of the Union speech, where he celebrates the repeated outperformance of the EU economy over the US economy (Juncker, 2017). Additionally, these growth figures don't just serve to narrate the idea of the EU economy as geographically located and distinct. Their use reflects a narrowing of the conceptualising of the economy within the EU. The measurements used to define the economy of the EU in the European Semester rely on a questionable distinction between the "economic" and the "social". As we discuss in section 1, such a distinction is inherently political.

The act of defining the economic sphere is about separating economic policy from the rest of society; disregarding the interrelation of the economy with every other facet of life. It can exclude the consideration of concerns that are deemed not to be of direct economic value– for example, the environment, labour standards or gender equality (Cavaghan and O'Dwyer, 2018).

The discursive process of constructing a supreme economic sphere in the EU –is an underlying mechanism of the broader legitimisation process of economic governance. For example, in narratives which establish any threat to the Economic and Monetary Union (McNamara, 1998) or to the single currency as an existential threat to the European Union project (Laffan, 2014a; Laffan and Schlosser, 2016a), there are implicit assumptions about this binary between the economic and non-economic spheres that serves to bolster the arguments justifying certain policy actions

In contrast, this influences the subordination of social policy within and in relation to the semester. As Dawson points out, even when social policies, such as poverty alleviation, may appear within the documents of the semester, they are discussed through the lens of economic policy goals (Dawson 2018). Any attempt to 'socialise' the semester must look beyond the mere presence of social aims, and examine the underlying, and dominant, ideas at play.

Secondly, the European Semester, and the overall framework of economic governance that was established in the wake of the crisis has been critiqued as "a legally and politically unconstrained expert regime" (Scharpf, 2013, p. 12). In this reading, not only are experts, and expertise, central to economic governance in the EU, they in fact hold a position of uncontested and "unconstrained" influence. There has been a shift away from politicized economic governance to the technocratic, apolitical economic governance at the European level (Guerrina,



2017; Ruser, 2015). This shift has taken place at member state level, with the empowerment of the executive branch at the expense of national parliaments (Jančić, 2016; Maatsch, 2015, 2016), and at the European level, with a similar sidelining of the European Parliament in economic governance (Fasone, 2014; Guerrina, 2017; Rittberger, 2014).

What is additionally concerning about this dominance of expertise is the homogeneity of experts it involves. Recent analysis of the key decision makers in the field of economic governance shows an overwhelming male dominance (O'Dwyer, 2017). This mirrors a similar asymmetry in representation found within global economic governance (Schuberth and Young, 2011). These male-dominated expert groups don't just result from biases, they create and perpetuate them. Since all people, both men and women, are socially situated beings, they bring with them their own experience and therefore outlook to decisions. A decision-making space that is male-dominated is therefore likely to suffer from such homogeneity, through groupthink and lack of diverse opinions. This is not a result of male- dominance itself, but rather a result of the lack of diversity (Bartl, 2017). As such, when other characteristics such as race and class or educational background are so widely shared amongst the group, other biases are also possible. Such biases, along with the narrow understanding of the economy discussed above, form an important part of the explanatory story of the distributional impacts of the European Semester policies, which we now discuss. Additional work has identified the role of a collection of academic expertise in shaping the post-crisis regime (Helgadóttir 2016).

This work points to the interrelation between actors and ideas in the maintenance of the problematic and narrowly economic regime of the European Semester. Whether the adoption of the European Pillar of Social Rights can address these issues will be discussed below.

5. The EPSR and the 2018 European Semester: ideas and policy orientations

On 22 November 2017, five days after the Inter-Institutional Proclamation of the EPSR, the European Commission released the so-called 'Autumn package'. Together with the set of documents at the beginning of the European Semester cycle (i.e. AGS, JER and AMR), the Commission included also two further documents. Firstly, a proposal for a Council Recommendation on economic policy of the euro area and the draft euro-area recommendations for 2018². Secondly, a proposal to amend the Employment guidelines (EGs) to bring them into line with the EPSR³.

In what follows, we analyse each step of the European Semester 2018 in order, first verify whether the Social Pillar has been streamlined or not in the official Semester documents, and, second, to evaluate whether the EPSR represented an element of continuity or discontinuity with the previous Semester cycles.

² Approved by the Council on 23rd January 2018

³ Approved by the European Parliament in April plenary session 2018



The EPSR and the Annual Growth Survey

At first glance, the presence of the Social Pillar in the Annual Growth Survey 2018 emerges immediately while looking at the three main areas of the AGS, which follow the three headings of the EPSR: 'Equal opportunities and access to the labour market', 'Job creation and fair working conditions' and 'Social protection and inclusion to tackle inequality and poverty'.

This was the latest contribution to a gradual socialisation of the Semester that had emerged already in the previous AGSs (Zeitlin and Vanhercke 2017). For example, AGS 2015 offered some positive references and opportunities: a commitment to investment, an increased ownership and accountability, more flexibility, a call for adequate pensions and an adequate social protection system. With regards to AGS 2016, the reference to social priorities increased. Explicit reference was made to Europe 2020 and to the social investment approach. Investing in human capital, in healthcare, childcare, housing support and rehabilitation services was mentioned and the importance of effective social protection systems and adequate and well-designed income support to tackle poverty was stressed. Finally, with regards to AGS 2017, new priority was given to promote "social fairness" to deliver more "inclusive growth" and "achieve an economic recovery that benefits all, notably the weaker parts of our societies, and strengthens fairness and social dimension".

while these additions are to welcomed, it's worth pointing out that the over-arching priorities of the semester remain focused on economic growth, with a narrow understanding of the economy, as we noted in sections 2 and 4 above. In the AGS 2015, for example, the focus was on growth that may lead to jobs that may ultimately lead to poverty reduction, as a simple re-assertion of trickle-down theory. No reference was made to Europe 2020 and its key targets, particularly poverty, employment and education. Similarly, AGS 2016 and AGS 2017 remained stuck on stability and growth as the overarching economic framework. Attention was reserved to financial sustainability of budgets as the main priority and the importance given to flexibility in the labour market undermined the commitment to quality jobs. In general, a clear assessment of the likely overall impact on poverty and social inclusion was missing. The approach to quality services and income support were still seen primarily as instruments to activation, rather than ensuring social rights beyond the labour market for all groups and across the life cycle. Interestingly, the AGSs remain relatively silent on gender inequalities beyond activation, despite a high profile attempt to tackle pay inequality, for example, by DG Justice.

Against this backdrop, the question is whether the AGS 2018 overcomes the shortcomings of the previous Annual Growth Surveys and how it contributes to a further socialisation of the European Semester's policy orientations.

As the above anticipated, the AGS 2018 highlights the necessity of active labour market policies to reduce youth and long-term unemployment. Member States are invited to invest in training, life-long learning and re-skilling programs. Quality education must be accessible to all and mobility in Europe should be supported and greater investment in infrastructure (e.g. in the sectors of education and health) should be supported, as well as raising wages thus ensuring higher living standards.



Moreover, the AGS 2018 recommends that Member States support labour market transitions, incentivize entrepreneurship and guarantee an appropriate balance between flexibility and security in employment relationships. The demand for labour should be supported by shifting the tax burden away from labour. Adequate measures for proper work-life balance should be guaranteed, to ensure gender equality and increased female participation. Moreover, barriers to employment should be reduced, especially for disadvantaged groups, including single parent households, people with disabilities, ethnic minorities, refugees and migrants. Labour market integration efforts must be combined with social integration support, such as childcare, access to healthcare and housing, along with the removal of obstacles such as discrimination on the labour market. Ultimately, according to the analysis of the Commission, growth in real wages, because of increased productivity, is crucial to reduce inequalities and ensure high standards of living.

With regards to social protection and inclusion to tackle inequality and poverty, the AGS 2018 highlights the necessity of well-functioning social protection systems, providing benefit schemes for unemployed workers and minimum income schemes, fostering labour market participation and ensuring equal access to quality services. The focus is on increasing public revenue rather than cuts, underlining support for fair tax systems to reduce inequalities and poverty. Social protection systems should adapt to employment and increased labour mobility and should cover all kinds of work contracts (e.g. bogus self-employed and atypical workers). The risks related to non-standard jobs are highlighted, together with the associated risks of low earnings, poor quality working conditions and exclusion from social protection. Moreover, adequate pension, health care and long-term care systems should be guaranteed. Finally, social partners are considered as key actors in the implementation of the Pillar.

Against this backdrop, the overall influence of the Pillar is clear. However, some concerns still emerge from a more in-depth analysis of the document. Firstly, not all the EPSR principles are considered in the AGS: some are partial (for example, there is no reference to in-work poverty and to the right to fair wages) and some are simply missing (e.g. the right to be informed on employment conditions and protection in case of dismissal). Moreover, some rights are weakened (for example, the right to an adequate minimum income is linked to certain conditions). Secondly, the relationship between the economic and social goals of the AGS remain blurred (see also EAPN 2018). Social priorities are visible, but stability and growth remain dominant and the priorities are still bound to the so-called “virtuous triangle” (e.g. boosting investment, pursuing structural reforms and ensuring responsible fiscal policies). The Commission highlights that efficient and flexible product, labour and capital markets are instrumental to ensuring that resources are directed to their most productive use. In so doing, structural reforms are needed to make Europe's economy more stable, inclusive, productive and resilient. Therefore, priority would be given to reducing high levels of debt and re-building fiscal buffers, and governments are asked to improve the sustainability of their public finances, for example by closing tax loopholes or better targeting in spending.

The EPSR and the new Employment Guidelines

With the launch of the Autumn package and to align with the principles of the European Pillar of Social Rights, the Commission adopted a proposal to amend the Employment Guidelines - the ground rules setting the common priorities and targets for the national employment policies.



Together with the Economic Guidelines, the Employment Guidelines constitute the “Integrated Guidelines”, which frame the scope and direction for Member States’ policy coordination and provide the basis for Country Specific Recommendations. Earlier, in October 2015, a new package of integrated policy guidelines was adopted by the Council to support the achievement of smart, sustainable and inclusive growth, and the aims of the European Semester of economic policy coordination.

The new Commission’s proposal draws on the 2015 Employment guidelines, which target four key domains. The latter are structured as follows: 1) Boosting demand for labour, and in particular guidance on job creation, labour taxation and wage-setting; 2) Enhanced labour and skills supply, by addressing structural weaknesses in education and training systems, and by tackling youth and long-term unemployment; 3) Better functioning of the labour markets, with a specific focus on reducing labour market segmentation and improving active labour market measures and labour market mobility; and 4) Fairness, combating poverty and promoting equal opportunities for all.

Below, we present the new element included in the Commission’s proposal.

Moving from Guideline 5, ‘Boosting the demand for labour’, the Guideline reiterates the need to facilitate employers hiring people, by shifting away the tax burden from labour to other sources of taxation. However, the new text specifies that shift taxation should consider the redistributive effect of the tax system. In this regard, Member States are expected to encourage transparent and predictable wage-setting mechanisms, while ensuring fair wages that provide decent living standards.

Guideline 6, ‘Enhancing labour supply: access to employment, skills and competences’, the focus is on Member States performance in matching skills and labour demand, through education and training. In the new proposal, the Commission stresses the importance of life-long learning, quality-learning opportunities, through the establishment of Upskilling Pathways. In addition, attention is paid also to timely and tailor-made assistance based on support for job searcher, training and requalification.

Moving to Guideline 7, ‘Enhancing the functioning of labour markets and the effectiveness of social dialogue’, it focuses on the necessity for Member States to work with social partners to implement flexibility and security principles, to benefit best from dynamic and productive workforce. However, the new proposed guidelines stresses that ‘flexicurity’ should prevent labour market fragmentation, while facilitating transition to open-ended contracts (Lewis, J., & Plomien, A. 2009). Moreover, Member States should prohibit the abuse of atypical contracts and, at the same time, guarantee adequate compensation and protection in case of unfair dismissal. In this regard, the importance of social partners is highly remarked. They should be encouraged to ‘negotiate and conclude collective agreements in matters relevant to them, respecting fully their autonomy and right to collective action’.

Finally, with regards to Guideline 8, ‘Promoting equal opportunities for all, fostering social inclusion and combating poverty’, the focus is on the necessity to contrast any kind of discrimination in the labour market and on the importance of guaranteeing a social protection system that should lead to better accessibility, sustainability, adequacy and quality. In this



regard, the new guideline 8 proposal suggests three strands of active inclusion: ‘adequate income support, inclusive labour market and access to quality services’. Moreover, attention is paid to accessible and quality services (e.g. childcare, out-of-school care, education, housing, health services and long-term care) to guarantee equal opportunities for everyone, in particular the most disadvantaged (e.g. people with disabilities, minorities).

The EPSR and the Country Reports

Following the release of the “Autumn package”, the second step of the European Semester cycle consists of the publication of the Country Reports. In February, the Commission carries out an in-depth analysis of the socio-economic situation in each Member State, based on the policy orientations outlined in the Annual Growth Survey and the indicators of the Alert Mechanism Report and the Joint Employment Report. Together with the analytical description of the performance of the Member States, which is carried out with the support of the statistics provided by the Member States, following the methodology illustrated in the AMR and the JER, the Country Reports contain also a clear political assessment by the Commission on the priorities and the key challenges of each Member State. This political assessment is contained in three subsections of the CRs: the “Executive summary”, the “Economic situation and outlook” and the “Progress with the CSRs”⁴. Here the Commission does not limit itself to a mere description of the performance of a Member State but explicitly indicates the key priorities and challenges for each country and evaluates its performance considering the previous years’ CSRs. Contrary to the CSRs, which are the result of a compromise with the Member States and require the approval of the Council, the CRs are not “filtered” and, therefore, offer an interesting viewpoint to verify the political priorities of the Commission.

To analyse the Country Reports, we proceeded as follows. Firstly, we checked whether the Social Pillar is formally included in the CRs. To do so, we control whether the indicators of the new Social Scoreboard, released in the “April Package”, are included in the Country Reports. The Scoreboard is made up of fourteen headline indicators and twenty-one secondary indicators, divided in twelve areas on which societal progress can be measured and it serves as a reference framework to monitor the principles and rights of the Social Pillar, in a “tangible, holistic and objective way, which is easily accessible and understandable to citizens”.

Secondly, we compared the Country Reports 2018 with the CRs 2015, 2016 and 2017, to control whether the introduction of the Social Pillar implied an increase in the Commission’s policy orientations towards an increased emphasis on social issues. Namely, we calculated the share of labour market, education and social policy issues indicated as political priorities and key challenges for each Member State by the Commission.

Moving from the first step, i.e. whether the Social Pillar is mainstreamed in the CRs, the answer is positive. The Social Scoreboard in fact is the only reference framework that is used to monitor

⁴ The subsection on the progress with the Country Specific Recommendation has been introduced only from CRs 2017 onwards. The introduction of this evaluation in the CSs further prove the intention of the Commission to use the CRs not only for an analytical description of the socio-economic performance of Member States but also for a clear political assessment on them.



the performance of the Member States. The Social Pillar indicators are used both in the analytical part of the CRs and as a reference framework to assess the political priorities and challenges of each Member State. Explicit mention to the Social Pillar is made in the Executive summary of each CR and its indicators are included in the subsection on “Economic situation and outlook”. Moreover, the European Commission introduced in the Country Reports 2018 a new box entirely dedicated to the monitoring of the performance of a Member State considering the European Pillar of Social Rights. Besides giving high visibility to the Social Pillar, the new box classifies Member States according to a statistical methodology agreed with the EMCO and SPC Committees. The methodology looks jointly at levels and changes of the indicators in comparison with the respective EU averages and classifies Member States in seven categories (from “best performers” to “critical situations”). For instance, a country can be flagged as “better than average” if the level of the indicator is close to EU average but it is improving fast. Moreover, to make the box even more visible, the Commission assigned to each “performance category” a specific colour, from red (worst performance) to green (best performance). Interestingly, this way to represent the social performance of a Member State has been derived from the system used to evaluate Member States’ investments’ performance.

The high visibility of the Social Pillar and the predominance of the Social Scoreboard as the only monitoring framework confirm the political will of the Commission to concretely mainstream the EPSR in the European Semester cycle. This political attention on the monitoring of the Member States’ social performance is reflected in the priorities and challenges identified by the Commission in the Country Reports 2018. Compared to the previous years’ CRs, Country Reports 2018, in fact, show an overall increase of the share of social priorities.

To conceptualizing social policy, we relied on the EU convention and practice, which conceptualizes social policy as including employment policy, education and training policy, equality policy, health and long-term care, pensions, and poverty and social exclusion. Once we assessed the presence of social and employment related issues in the CRs, we calculated the ratio based on the total amount of CRs, to assess whether a socialization occurs or not. Table 1 shows the evolution of this share for each country from 2015 to 2018.

The overall increased share of social issues indicated as priorities by the European Commission in the Country Reports 2018, compared to the previous years’ ones, further proves the Commission willingness to put social concerns at the centre of the agenda for structural reforms addressed to Member States. However, we cannot argue that the CRs 2018 are a turning point, rather they are the result of an incremental path. Therefore, we might conclude that the Social Pillar determines a further socialization of the CRs, but it does not represent a turning point.

In this regard, one may argue that the loose impact of the Social Pillar is due to the weakness of the Social Scoreboard itself. On the one hand, in fact, the new Scoreboard is incomplete, since it does not monitor some principles of the Pillar. Namely, principle 7 “Right to information about employment conditions and protection in case of dismissals”, principle 8 “Right to social dialogue and involvement of workers”, principle 10 “Right to healthy, safe and well-adapted work environment and data protection” and partially principle 12 “Right to social protection” are surprisingly not measured by the new indicators. On the other hand, the new Scoreboard’s indicators present a problem of adequacy. Namely, either they are not appropriate, meaning



that they fail in measuring the implementation of a principle, or they are incomplete, i.e. they partially succeed in grasping a principle (see Sabato and Corti 2018; Sabato et al. 2018).

Table 1. Share of social issues out of the total of key challenges identified in each CR from 2015 to 2018

COUNTRY	CR 2015	CR 2016	CR 2017	CR 2018
AUSTRIA	28.5%	36.4%	40%	45.5%
BELGIUM	27.2%	36.4%	40%	18.2%
BULGARIA	20%	44.4%	36.4%	50%
CROATIA	17.6%	28.6%	28.6%	37.5%
CYPRUS	0%	30%	30.1%	30.7%
CZECH R.	37.5%	33.3%	36.4%	44.4%
DENMARK	55.5%	57.1%	55.6%	50%
ESTONIA	50%	62.5%	50%	100%
FINLAND	9.1%	33.3%	28.6%	40%
FRANCE	11.1%	23.3%	25%	40%
GERMANY	18.2%	23.1%	30%	58.3%
GREECE	Not available	Not available	Not available	Not available
HUNGARY	18.2%	25%	16.7%	50%
IRELAND	31.3%	23%	30%	25%
ITALY	25%	27.3%	35.7%	45.5%
LATVIA	41.7%	50%	45.6%	54.5%
LITHUANIA	57.1%	50%	62.5%	66.7%
LUXEMBOURG	33.3%	33.3%	37.5%	55.6%
MALTA	22.2%	28.6%	44.4%	45.5%
NETHERLANDS	30%	36.4%	62.5%	55.6%
POLAND	18.2%	16.7%	30%	33.3%
PORTUGAL	23%	36.4%	38.5%	58.3%
ROMANIA	16%	37.5%	66.7%	62.5%
SLOVAKIA	37.5%	37.5%	35.6%	57.1%
SLOVENIA	7.7%	35.7%	33.3%	33.3%
SPAIN	20%	40%	41.7%	50%
SWEDEN	60%	36.3%	20%	28.6%
UK	33.3%	18.2%	16.7%	50%

Source: authors' own elaboration based on the Country Reports (2015-2018).

Furthermore, while the CRs include references to and choice comparisons between regions, more visibility can be gained by the explicit calculation of the social scorecard on a regional level to highlight the regional imbalances and trends within the country and across the whole Union. This will provide clear evidence of regional issues to be addressed in the CSRs.

Against this backdrop, the question is whether these shortcomings are reflected in the Country Reports as well. The answer is only partially positive. On the one hand, in fact, the indicators used to measure the principles of the Social Pillar are the same as with the Social Scoreboard⁵ and therefore present the same problems of adequacy and incompleteness mentioned above. On the other hand, the Country Reports 2018 monitor two principles, namely the "Right to social dialogue and involvement of workers" and the "Right to social protection", that are not

⁵ Only the indicators "participants in active labour market policies per 100 persons wanting to work" and "compensation of employees per hour worked (in EUR)" are not used due to technical concerns by Member States.



measured by the indicators of the Social Scoreboard. In so doing only two principles remain excluded, i.e. the “Right to information about employment conditions and protection in case of dismissals”, and the “Right to healthy, safe and well-adapted work environment and data protection”.

To sum up, considering our analysis it is possible to conclude that the impact of the Social Pillar on the European Semester emerges blatantly while looking at the visibility given to the social issues in the Country Reports. The relevance given to social issues among the Commission’s priorities for structural reforms, we can conclude that the effect of the Social Pillar is partial, namely it further contributes to an incremental socialization path already in place. So, while the Pillar has contributed to an increased awareness of, and attention to, social policies within the documents of the semester, it remains unclear whether the Pillar and its incorporation into the semester adequately address the critiques outlined in the earlier parts of this paper. At the end of this paper, we offer some proposals for how it may do so in the future.

The EPSR and the Country Specific Recommendations

The last step of our analysis consists in understanding to what extent the Commission’s willingness to steer Member States’ policies through the European Pillar of Social Rights in the Country Reports has been translated also in the Country Specific Recommendations 2018.

To do so, we measure the degree of consistency between the previous Semester documents and the CSRs. Namely, we took the table of the Country Reports, which shows the negative social situations in Member States, and we investigated the CSRs to understand whether these challenges were addressed either in the recital or in the recommendations. Since the JER indicators are used to identify the key challenges for the CRs, we expect that in the CSRs the same challenges are addressed in the recommendations to the Member States⁶.

To analyse the content of the CSRs, we categorized the challenges in three different groups: green (challenges addressed in the recommendations), yellow (challenges addressed in the recitals) and grey (challenges not addressed) and we assigned a score for each colour: 2 for green, 1 for yellow and 0 for grey.

Against this backdrop, we calculated the share of CSRs addressing the challenges pinpointed by the EPSR, both per indicator and per level of performance (table 2).

Table 2 shows an overall continuity between the JER, the CRs and the CSRs. A first observation is that the scoreboard does not seem to be read mechanically, insofar as “critical situations” do not lead to a greater number of CSRs than less worrisome situations. Secondly, overall the social developments measured by the scoreboard are addressed in the CSRs, with the notable exception of the “GDHI per capita growth”. As a third observation, we note that the challenges related to childcare and digital inclusion result in comparatively fewer recommendations than the others, with a consistency score of respectively 35% and 39%. In addition, worrying

⁶ Clearly, we do not expect to find in the CSRs those fields in which Member States perform well. Moreover, being the number of CSRs rather limited due to the ‘streamlining’ of the semester, we indeed assumed that there would be little space for CSRs relating to these situations.



situations pertaining to the employment rate or the AROPE level show the highest consistency scores, whereas the consistency score of most challenges is approximately two thirds. Finally, it is worth noting that the youth NEET rate and the indicator on the need for medical care is only partially addressed in the CSRs.

Table 2. Consistency between EPSR challenges identified in the JER and the Commission proposals for CSRs

	Early leavers from education and training	Gender employment gap	Income quintile ratio	AROPE	Youth NEET rate	Employment rate	Unemployment rate	GDHI per capita growth	Impact of social transfers on poverty reduction	Children aged less than 3 years in formal childcare	Self-reported unmet need for medical care	Individuals' levels of digital skills	Consistency btw EPSR challenges and CSRs (% per performance)
Year	2016	2016	2016	2016	2016	2016	2016	2015	2016	2015	2015	2017	
Weak but improving			RO	LV	IT	ES	CY, ES, HR		EE, LV	RO	LV	CY	66,67%
To watch	BG, CY, HU, IT	BE, CY, CZ, HU, PL, SK	LU, LV, PT	CY, ES, HR, IT, LT	ES, LT, LV	BE, BG, LU, RO	EE, IT, PT	ES, IT, AT, PT, SI	ES, HR, LU, PL, PT, SK	BG, CY, EL, HR, HU, LT, MT	FI	EL, HU, IT, LV, PL, PT	47%
Critical situations	ES, MT, PT, RO	EL, IT, MT, RO	BG, EL, ES, IT, LT	BG, EL, RO	BG, CY, EL, HR, RO	EL, HR	EL, IT	EL, CY	BG, EL, IT, LT, RO	CZ, PL, SK	EE, EL, IT, PL, RO	BG, HR, RO	64%
Consistency btw EPSR challenges and CSRs (% per indicator)	62,5%	67%	62,5%	75%	50%	93%	67%	0	62,5%	35%	58%	39%	

Source: authors' own elaboration based on the Joint Employment Report 2018 and the proposals for Country-Specific Recommendations 2018. Countries highlighted in green have received a CSR; countries highlighted in yellow have received a recital; countries in grey have not received anything

Against this background, we can conclude that, although the Social Pillar is explicitly evoked in all the Country Specific Recommendations, its overall impact on the Country Specific Recommendations is only partial. Contrary to the Country Reports, where, despite all the above-mentioned weaknesses, all the indicators were used to analyse the performance of the Member States, in the CSRs a significant part of the social concerns identified in the CRs disappear.

This confirms that in the intermediate passage, between the Country Reports and the Country Specific Recommendations, Member States still do influence position, thus reducing the effectiveness of the Social Pillar itself.

6. The Pillar and the governance of social issues in the European Semester: moving beyond the asymmetry?

In the following paragraphs, we assess how the European Pillar of Social Rights might contribute to rebalancing the initial asymmetry between the economic and social sphere in the



EU. In doing so, we examine the interactions between the actors responsible for economic policy and those in charge of social and employment affairs during the Semester cycle 2017-2018, first within the European Commission and then in the Council.

From technocracy to politics: the EPSR and the turf wars within the European Commission

The analytical and political work inside the Commission in the framework of the European Semester takes place at different levels. At the technical level, the country-specific analysis is performed by the country desk officers or dedicated analysts in the different Directorates-General (DGs) involved in the policy fields touched upon by the European Semester. These officials form part of a “country team”, which is chaired by an official from the Secretariat-General (SG) and meet up approximately once a month to discuss the range of policy challenges faced by their country of assignment. At a higher level, the economic challenges faced by Member States are also tabled for discussion in the meetings of the “core group”, which brings together the representatives of the DGs deemed most important in the process, and whose role is to steer the process, ensure cross-country consistency, and make the final trade-offs. Currently, the four DGs that participate in the “core group” are DG Economic and Financial Affairs (DG ECFIN), DG Employment, Social Affairs and Inclusion (DG EMPL), DG Internal Market, Industry, Entrepreneurship and SMEs (DG GROW), and the Secretariat-General (SG). Depending on the topic discussed and the stage of the procedure, this core group is composed either of officials from the DGs at a director level or of members of Commissioners’ cabinets.

Although deliberations in these arenas are very often evidence-based [EMPL1], the respective clout of the different DGs in the process of coordination is obviously also determined by political priorities and related positioning strategies. For instance, in 2014, a note from the SG was distributed to the country teams at the beginning of the cycle, which specified each DG’s responsibilities regarding the drafting of the Country Report. Since then, DG EMPL is tasked with writing the section devoted to the labour market and social issues. Although DG ECFIN oversees cleaning up the whole text before it moves up to the SG [ECFIN6], DG EMPL has the last word in any dispute that might arise on any aspect of the employment-related part of the Country Report [ECFIN13]. On its side, DG ECFIN is responsible for everything related to the Macroeconomic Imbalance Procedure or public finances. Generally, the distribution of tasks between the DGs is relatively straightforward, and the atmosphere in most country teams tends to be consensus-oriented [EMPL1]. This is also true for the meetings of the core groups, where deliberations are supposedly most often driven by a consensual logic [EMPL2; ECFIN3].

However, consensus does not mean the absence of political conflict between the DGs. Within Commission walls, this conflict often revolves around the respective visibility of each DG’s policy priorities in the documents of the European Semester. Furthermore, such a competition for visibility is more likely to arise now that the number of CSRs has been reduced and that the Commission still tries to limit the number of sub-CSRs for this year’s cycle [ECFIN13]. Against this background, whereas the quality of the technical arguments underpinning any specific priority is crucial, the political argument can also be very important. For instance, this year, DG EMPL has relied on the EPSR to ask for greater consideration of social and employment challenges in the Country Report. During the winter, notes and e-mails were exchanged between the core DGs, where DG EMPL argued explicitly for the EPSR to become a major thread in the analysis of the Commission. To support their argumentation, EMPL stressed the endorsement of



the Pillar at the highest level by the European Council – which is recalled in the final version of the euro-area recommendation – and the approbation of the methodology to interpret the social scoreboard by the EPSCO committees [ECFIN13]. The quick incorporation of the principles of the Pillar in the revised Employment Guidelines just one week after the Gothenburg Summit might also be understood as a similar attempt to rally Member States behind them.

In this battle for visibility, those who shoot first often enjoy an advantage over others, especially because the Commission seeks to ensure maximum consistency between the analysis and the CSRs. This means, in practice, that many CSRs must be related to socio-economic challenges identified in the executive summaries of the Country Report. Thus, priorities that appear on this “menu” are likely to be discussed politically at a later stage. Political discussions take place in the country teams and, most importantly, in the core group. Compared to the drafting process of the Country Report, in which it only intervenes at the last minute, the SG is the exclusive penholder about the CSRs and controls the process throughout. This does not preclude, however, the other DGs from suggesting certain ideas. Moreover, the drafting process of the CSRs takes on tones that are more directly political for at least two reasons. Firstly, contrary to the Country Report, the CSRs are adopted by the College of Commissioners, which implies negotiations between actors with party affiliation. Secondly, while drafting the proposals of CSRs, the SG not only relies on, and most often takes on board [EMPL1; EMPL4; ECFIN6], the analysis produced by the country teams, but also considers the comments made by Member States over the few political bilateral meetings organized during the cycle [SG7]. All this, plus the overall secretive nature of the process, makes it difficult to disentangle the respective influence of the different DGs when it comes to the CSRs.

Nonetheless, we know from one of our interviewees that the Pillar may have helped DG EMPL to convince its counterparts to dedicate more space to employment and social recommendations. One of their arguments was that the application of the social scoreboard methodology to the data available for the previous year showed unsatisfactory degrees of correlation between the outcomes of the analysis and the CSRs, and that their proposals of CSRs would therefore permit to reduce this gap [ECFIN13]. Another interviewee underlines, however, the need to support any argumentation with figures and a strong analysis. In his view, the Pillar can at most strengthen the position of EMPL marginally in the core group by offering a “side argument” [EMPL2]. He also stresses the importance of the context and of the general economic situation in any country, suggesting that the Pillar alone might not reverse the precedence of fiscal consolidation over other priorities:

“[...] there must be a debate about: ‘do we have money to spend and where should that money be prioritized?’. [...] In times of crisis, obviously, the fiscal side has a greater significance. And in times of increased fiscal revenues, there is maybe more space to reinvest in certain social services and support.” [EMPL2]

Overall, our analysis confirms the growing collaboration that has emerged between the services in the European Semester process (see also Verdun and Savage, 2015). It also confirms that the internal work within the Commission is a hybrid process in which technical work and politics are intertwined. In this connection, although the technical analysis provided by DG EMPL does



not seem to be enriched a lot by the Pillar, the latter appears to be used primarily as a political tool to justify and encourage greater consideration for social and employment issues.

Persistent asymmetries in the Council despite the EPSR

The two main configurations of ministers that have a role to play in the European Semester are the “Economic and Financial Affairs” (ECOFIN) and the “Employment, Social Policy, Health and Consumer Affairs” (EPSCO) Councils. The great bulk of the multilateral surveillance work in the European Semester is done by the Committees of these two Council formations, which act as preparatory bodies. On the ECOFIN side, the Economic and Financial Committee (EFC) is informally considered as the most senior Committee, situated just below the ECOFIN Council [EPC8; EPC9]. It oversees all matters related to public finances and is helped in its duties by the Economic and Financial Committee Alternates (EFCa). Next to these is the Economic Policy Committee (EPC), whose role is to follow other economic developments in member states, notably those falling under the Macroeconomic Imbalance Procedure. On the EPSCO side, two Committees share the responsibilities of multilateral surveillance. The Employment Committee (EMCO) is tasked with monitoring national employment as well as education policies when relevant to the labour market functioning, while the Social Protection Committee (SPC) oversees coordinating policies relating to social inclusion and social protection.

Similar to what happened in the Commission, the technical actors who are responsible for employment and social affairs have progressively acquired a heavier responsibility in the European Semester over the years (see also Zeitlin and Vanhercke, 2017). Their increasing technical credibility helped them to get more say in the process, as put by a Commission official working closely with the Committees [EMCO9]:

“[...] it is about building trust and it is about building a sense of a sort of competence [...]” [EMCO9]

In this regard, the usefulness of the Pillar, compared to the pre-existing social and employment monitoring tools used in multilateral surveillance, can be questioned. As expressed by one interviewee, since the new social scoreboard does not comprise any new indicator, except the one related to digital inclusion, the analytical outcome of the multilateral surveillance process is not likely to change compared to the previous cycles [SPC10]. Therefore, just like in the Commission, the Pillar could at most offer some political arguments to EPSCO actors to require that their agenda is better considered in the European Semester. Evidence of this can be found in that the SPC and the EMCO essentially held the pen of the employment and social aspects of the Euro area recommendation and managed to get an explicit reference to high-level endorsement of the Pillar in what was initially supposed to be a purely ECOFIN document [SPC10].

Yet, some of our interviewees expressed scepticism about the real impact of the Pillar on the Council dynamics [EMCO9; SPC10]. Although EPSCO committees are increasingly involved in the governance of the European Semester since a few years, the institutional setup indeed remains very much ECOFIN-centered. For instance, although it is more symbolic than effectively leading to changes, the amendment to the CSRs adopted in the EPSCO Committees must be formally accepted by the EFC before moving up to the higher level [EFC12]. As emphasized by Maricut and Puetter (2017), the asymmetry between EPSCO and ECOFIN also finds its causes in their



different working methods, with the ECOFIN constellation of actors being much better articulated to make their voice heard up to the European Council. As an example, during the 2018 cycle of the European Semester, EPSCO ministers have kept their usual pace of four meetings per year, while their ECOFIN colleagues still hold monthly meetings. Finally, an official working in the EPSCO Council recognizes that a condition to be respected by ECOFIN as counterparts worthy of attention is to be “responsible”, meaning not to envisage employment and social policies autonomously from fiscal constraints:

“And also because you’re responsible, you don’t start producing texts that aim at doubling the amount of money to spend on healthcare or whatever...because obviously from a finance ministry’s point of view this is not going to work because you haven’t taken into account the sustainability of public finances [...] That is what makes a constructive work relationship” [EMCO9]

This is a blatant illustration of the enduring subordination of employment and social policies to fiscal sustainability imperatives. To a certain extent, such a subordination is very often mirrored at the national level, where finance ministers have much more political clout than employment ministers do [EMCO9; EPC11; EFC14].

A light impact

In conclusion, our analysis confirms that the employment and social actors in both the Commission and the Council have taken a greater role in the European Semester these last few years. It is however limited to being able to position themselves autonomously from, and as a peer of their ECOFIN counterparts, especially in the Council. We also show that the evidence-based nature of the analytical work in both the Commission and the Council Committees poses certain limits on what a political move such as the EPSR can achieve in terms of further socializing the European Semester. Compared to what is documented by Zeitlin and Vanhercke (2017), where the bulk of the socialization process stems from the growing analytical presence of the EPSCO actors in the Semester, the main contribution of the Pillar therefore seems political, in that it tends to give more ground to the latter vis-à-vis their ECOFIN interlocutors. Yet, we argue that more needs to be done to resolve the inherent asymmetry characterizing the EU’s economic governance. Neither giving more visibility to some indicators, nor implanting some social considerations in a setup that is inherently biased towards fiscal consolidation will be enough. If the Pillar is to serve as a counterweight to pro-cyclical fiscal rules to guarantee the autonomy of social and employment policies, two initiatives could be envisaged that are developed in the following section.



POLICY RECOMMENDATIONS

Our investigation has shown that there has been clear progress in socialising the European Semester through the EPSR. We have shown that the EPSR and the Social scorecard has had a limited, positive impact on the Semester process. Our primary research has concluded that the EPSR has impacted deliberations among eurocrats. Yet, the socialisation of the Semester is fundamentally limited by the primacy of economic goals of the Union.

Furthermore, the process of socialising itself is flawed. EPSR criteria are not captured at all stages of the development of the Semester. The regional aspect is hidden completely... gender? As a conclusion we present the following policy recommendations to address the two shortfalls above.

1. A Silver Rule for Social Investment

Despite the growing emphasis on social objectives in policy orientations and messages of the Semester 2018, the focus on fiscal consolidation still risks undermining national co-financing of European funding for social investment. As discussed above, the prioritization of narrow economic goals risks undermining any commitment to social investment. We propose an amendment to the Stability and Growth Pact that would reflect the importance of social goals, and would not only enable, but incentivize social reforms and investment.

We recommend the introduction of a 'silver rule' on social investment intended to translate direct economic benefit onto social goals within the Semester. Applied when implementing the Stability and Growth Pact, it involves the consideration of public social investments, which have a clear positive impact on economic growth, as being eligible for a fuller contribution to assessing government deficits and compliance with the 1/20 debt rule. This measure would incentivize Member States to co-finance the EU financial instruments, such as the Child Guarantee, the Youth Guarantee and the Skills Guarantee, as well as removing the tension between recommendations for social spending and fiscal discipline.

To do so we recommend amending the 'structural reform' clause included in the code of conduct of the Stability and Growth Pact. This clause has been the basis for an updated Code of Conduct on the implementation of the Stability and Growth Pact and has been endorsed by the Council in February 2016. The proposed "social clause" would (1) provide that any reform considered in the assessment does not run against the principles enshrined in the Pillar, and (2) explicitly refer to social investment reforms as eligible reforms, (3) would re-emphasize the importance of gender mainstreaming, in the evaluations under the Pact and, finally (4) provide incentives for prioritizing regions lagging on social measures the goals are focused on improving.



2. A Social Imbalance Procedure

Despite the reinforced surveillance of the employment and social indicators in member states in the European Semester 2018, the absence of strong incentives or enforceable penalties for member states to comply with the employment and social CSRs casts a shadow over the impact of the EPSR at national and regional levels.

Moreover, the persistent asymmetry of power between the two Council configurations involved in the European Semester limits the influence of employment and social CSRs linked to the Pillar.

Therefore, we recommend the establishment of a “Social Imbalances Procedure” (SIP) to ensure that social and employment developments that have the potential to adversely affect the functioning of the economy of a member state or of the EMU, or of the EU, are detected at an early stage and corrected properly. The SIP would be entirely under the EPSCO Council’s remit, which would be responsible for the operationalization of the procedure and for the multilateral monitoring, with the assistance of the Commission. In addition, there would be key moments for input from the Committee of the Regions, in the interest of raising awareness of the regional impacts of the semester, and of the regional nature of many social imbalances.

Instead of being punitive, the SIP would be based on incentives. In the preventive arm of the procedure, the Commission services would oversee the identification of social imbalances in regions within member states. The outcome of this analysis should be reported in November in a “Social Alert” report, annexed to the “Alert Mechanism Report” published by the Commission currently as part of the Macroeconomic Imbalance Procedure.

In the corrective arm, countries experiencing social imbalances would then be subject to country/region specific support programmes with a twofold dimension: (1) financial assistance, through a better integration with the Structural Funds as well as with the “reform delivery tool” and (2) technical assistance, through the Structural Reform Support Programme.

3. Regional visibility in analysis of Semester development

The focus of the Semester is on a national strategy, limiting the visibility of divergence and imbalance between regions, especially in countries with high regional imbalance. To provide the tools for the European Semester to adopt strategies to target these imbalances we recommend the adoption of extending the social scorecards to NUTS-1 divisions and incorporating exhaustive regional analysis in the Country Reports. These measures aim to augment the existing social inputs into the Semester process which we have established in our text have been utilised with positive impact towards socialisation of the Semester.

4. Wage-led Growth Strategy

Economic policy is dominated by a (neo-liberal) supply-side analysis, which assumes prosperity to ‘trickle-down’ once it has been generated. The past three decades have proven this assumption wrong. Incomes for most people have been falling and incomes at the top have been increasing disproportionately. Among other reasons, the decrease of the ‘wage share’, i.e. the



share of national income that goes to wages, has been one of the major drivers of this inequality. Harsh austerity measures like the 1/20 rule, and the ECB's focus on inflation rather than employment, have aggravated income disparities in the EU and particularly in the EMU.

Therefore, we demand a rethinking of the economic model for the European Union. Instead of cures for illnesses induced by the wrong economic models, the European Union should target wage-growth to transform the EU into a 'social' project. To achieve wage-growth, policies to increase workers' bargaining power vis a vis their employers are necessary; tougher regulations on the labour market, enough unemployment benefits, policies that encourage membership in unions rather than dismantling them, and a defined wage-strategy for surplus, and deficit countries.



LIST OF INTEEVIEWEES

Interview 1: European Commission, DG EMPL (24/04/2018)

Interview 2: European Commission, DG EMPL (18/04/2018)

Interview 3: European Commission, DG ECFIN (27/07/2015)

Interview 4: European Commission, DG EMPL (07/08/2015)

Interview 5: European Commission, DG ECFIN (26/04/2018)

Interview 6: European Commission, DG ECFIN (10/09/2015)

Interview 7: European Commission, SECGEN (11/09/2015)

Interview 8: Economic Policy Committee (04/02/2016)

Interview 9: Employment Committee (23/04/2018)

Interview 10: Social Protection Committee (12/01/2018)

Interview 11: Economic Policy Committee (11/06/2015)

Interview 12: Economic and Financial Committee (27/04/2018)

Interview 13: European Commission, DG ECFIN (04/05/2018)

Interview 14: Economic and Financial Committee (09/05/2018)



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