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Chair of Social and Labor Market Regulation

EU Social policies implementation through the European Semester: changing priorities from the Pandemic to the war in Ukraine

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Introduction

The implementation of social policies in Europe has changed significantly over the years. Despite enjoying a central position in the EU executive priorities, it has always been difficult to coordinate Member States preferences. In this framework, we find the European Semester (henceforth the Semester), as the main tool the EU has used to coordinate social policies. Accordingly to what aforementioned, the Semester's application has varied greatly in the last few years, and, when necessary tackling external shocks. For instance, the approach of EU socio and economic response to the sovereign debt crisis focused on macroeconomic imbalances through austerity measures mostly aimed at encouraging national governments spending reviews and deregulation policies. On the other hand, EU approach in addressing the economic and social consequences of the Covid19 pandemic put more emphasis on social assistance policies implementation than on fiscal stability. It is widely recognized that the EU executive had "learnt the lesson" from the response to the Eurocrisis[1]. The latter was considered to be too harsh especially towards those Member States in an unstable fiscal situation, consequently leading to citizens skepticism towards EU institutions. On the contrary, since one of the direct consequences of the Covid19 crisis has been the inevitable significant increase in national public debts, the EU has been much more tolerant with Member States concerning budgetary constraints than in the past. In fact, social investments took the form of ad hoc measures such as short-time working schemes to give an immediate aid to businesses in economic difficulty, but also they stressed the need to make social safety nets more inclusive to improve lives of most vulnerable citizens.

The implementation of EU social policies through the Semester has changed again after the start of the recent energy crisis and more specifically, after the Russian invasion of Ukraine of February 2022. EU social priorities were transformed by the new issues that hit once again all Member States simultaneously in different degrees. However, it appears that the measures adopted this time differed slightly from the ones enforced during the pandemic period, especially in relation to country-specific recommendations issued by the European Commission. The latter seem to be, differently from post-pandemic ones, not only centered on addressing social challenges, but also, once again focused on fiscal stability, as national

[1] Myant M. (2021) The economic and social consequences of Covid-19, in Vanhercke B., Spasova S. and Fronteddu B. (eds.) Social policy in the European Union: state of play 2020. Facing the pandemic, Brussels, OSE and ETUI

governments were asked to limit public spending and social investment, especially regarding pension systems and long-term care. In this context it is argued that there is a risk of shifting the Semester priorities from social ones to more economic and green ones in relation to the energy crisis. However, it should be noted that the Semester has evolved heavily since its establishment in 2010, after the launch of the European Pillar of Social Rights in 2017 and lastly after its incorporation as a monitoring tool for Member States progresses within the Recovery and Resilience Facility. Hence the Semester can be considered as a mechanism for coordinating economic and social governance across the EU following already known institutional structures, and if necessary, merging it with temporary ad hoc arrangements, gradually incorporating them into a more permanent structure.

Against this framework, the purpose of this work is to examine the changes of the implementation of EU social policies through the European Semester and how they evolved throughout the years and different contexts.

The first chapter gives an explanation of the European Semester background describing the existing institutional structures and the new temporary ad hoc measures later incorporated into a permanent structure. Afterwards, the legal basis of the Semester is assessed before an analysis of the importance of the European Pillar of Social Rights within the European socio-economic governance framework. The second chapter deals with the pre-covid 2019 European social framework. More specifically, it addresses the transition from the Junker Commission to the Von der Leyen Commission, the new political guidelines, and social and labor policy initiatives. The third chapter relates to the European Semester adaptations to the EU response to Covid19 crisis, more precisely, its implementation as a coordination and monitoring tool for the Recovery and Resilience Facility. The fourth chapter concerns the social implications of the EU recovery strategy. More in particular, it outlines the difference between the early changes in country-specific recommendations in the first period of the pandemic, and the 2022 recommendations. In fact, the latter reflect a different context from the previous years, being highly influenced by the consequences of the war in Ukraine such as the rise in energy prices and the European goal of decarbonization. The last section will address the conclusions and the findings of this study.

The European Semester

Economic coordination background

The European Semester (hereafter the Semester) was created in 2010, as a consequence of the financial and sovereign debt crisis, aiming to reframe European Union's economic governance framework for more socioeconomic coordination. Although EU Member States economies were already closely interdependent under the Economic and Monetary Union, prior to 2010 their economic policies were coordinated with the Union independently of each other.

The Semester's procedures reformulate and build on pre-existing processes of fiscal, economic, labor and social policy coordination. Among them it is worth mentioning the Lisbon Strategy, the Stability and Growth Pact, the Social Open Method of Co-ordination, the European Employment Strategy, and the Broad economic policy guidelines. The Lisbon Strategy is a development plan designed in 2000 addressing the economy of the European Union between 2000 and 2010. The Strategy aimed at lowering stagnation and boosting economic growth in the Union through policy initiatives to be taken by all Member States, focusing mainly on innovation and social and environmental renewal. Also known as "Lisbon Agenda" its goal was to make the EU the most dynamic and competitive knowledge-based economy in the world, committing the EU to achieve "greater social cohesion" (European Council, 2000). Before the economic crisis of 2008, budgetary policy and planning had been left largely to Member States "With only a limited coordinated overview at EU level of the national efforts" (European Commission, 2015). Then, after the challenges posed by the crisis to EU countries, it became clear that Member States were too interdependent not to implement coordinated socioeconomic governance. Although being mainly focused on the EU's economic objectives, the Lisbon Agenda was also aimed at finding an equilibrium between economic and social goals. The Strategy has been succeeded by the Europe 2020 Strategy. The latter represented an attempt to focus more strongly on EU economic priorities, while also coordinating economic and social goals of the European Union. EU2020 Agenda represented a "rebalancing of economic and social priorities for the EU in favor of the latter" (Armstrong, 2012)[2], proposing five targets for 2020 to improve EU performance in the fields of employment; research and innovation; climate change and energy; education; and for

[2] Armstrong, K. A. (2012) EU social policy and the governance architecture of Europe 2020. Transfer: European Review of Labour and Research

combating poverty[3]. The outlined EU level targets that Member States were asked to pursue at the national level by 2020 were:

- 75 % of the population aged 20-64 employed.
- 3% of the EU's GDP invested in R&D.
- The "20/20/20" climate/energy targets to be met.
- The share of early school leavers under 10% and at least 40% of the younger generation having a degree or diploma.
- 20 million less people at risk of poverty.

In the light of these targets, Europe 2020, the new strategy for jobs and growth, included "Integrated Guidelines" setting out the framework for the Europe 2020 strategy and reforms at Member State level. The "Europe 2020 Integrated Guidelines" are the following:

Guideline 1: Ensuring the quality and the sustainability of public finances
Guideline 2: Addressing macroeconomic imbalances
Guideline 3: Reducing imbalances in the euro area
Guideline 4: Optimising support for R&D and innovation, strengthening the knowledge triangle and unleashing the potential of the digital economy
Guideline 5: Improving resource efficiency and reducing greenhouse gases emissions
Guideline 6: Improving the business and consumer environment and modernising the industrial base
Guideline 7: Increasing labour market participation and reducing structural unemployment
Guideline 8: Developing a skilled workforce responding to labour market needs, promoting job quality and lifelong learning
Guideline 9: Improving the performance of education and training systems at all levels and increasing participation in tertiary education
Guideline 10: Promoting social inclusion and combating poverty

Established in 2011, the European Semester brings the economic governance and social policy coordination, envisaged in the EU 2020 Strategy, in an annual cycle of monitoring,

[3] European Commission, Europe 2020. A strategy for smart, sustainable and inclusive growth. Bruxelles, 3.3.2010, COM(2010) 2020

surveillance and reporting of Member States together with the publication of Country-specific recommendations (CSRs) by the European Commission to be implemented by each individual country.

Another instrument of coordinated economic governance used in the Union prior to the Semester is the Open Method of Co-ordination (OMC). Dating back to 2000s, it aimed to achieve greater convergence among Member States not only in employment policies, but also in research and development, social protection, enterprise policy and immigration. It is often considered to be a reaction to the European economic integration in the 1990s as an alternative to the existing EU modes of governance. "The Commission's Social Policy Agenda envisages the OMC being applied to all areas of social policy; a specific example is the Community Action Programme to combat discrimination, adopted in November 2000 (Decision 2000/750/EC) for the period 2001-2005" (Eurwork, European Observatory of working life)[4]. On the other hand, the European Employment Strategy (EES), launched in 1997, is the main instrument coordinating EU countries' reform efforts in the area of labor market and social policies, through mechanisms of monitoring and learning rather than legislation. In 2005, it was re-launched as part of the Lisbon Strategy and, since 2011, it is fully integrated in the European Semester. The EES is based on the Joint Employment Report, investigating the main employment challenges of Member States, on the Annual Growth Survey, the starting point of the European Semester, on the Integrated Guidelines, setting the main policy priorities concerning employment and social matters, and on Country-Specific Recommendations, outlined in the Semester for each Member State. Finally, the Broad Economic Policy Guidelines are Council recommendations adopted on the basis of Article 121 of the Treaty on the Functioning of the EU, in collaboration with the European Council and the Commission. These guidelines on macroeconomic and structural policies aim at coordinating the EU countries' economic rules in order to achieve joint objectives that should be taken into account by Member States in the implementation of their economic interventions and in the development of national reform programmes[5].

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[4] Eurwork, European Observatory of working life. Eurofound: European Foundation for the Improvement of Living and Working Conditions

[5] Council Recommendation (EU) 2015/1184 — broad guidelines for the economic policies of EU countries and of the EU as a whole.

Among the abovementioned pre-existing processes of fiscal, economic, labor and social policy coordination used prior to the Semester, there is the Stability and Growth Pact: “a set of rules designed to ensure that countries in the European Union pursue sound public finances and coordinate their fiscal policies” (European Commission)[6]. It is the economic procedure upon which the Semester lays its foundations. When European economic governance was introduced for the first time with the Treaty of Maastricht in 1992, its coordination was “very limited and unsystematic in terms of policies and obligations” (Mariotto 2022)[7]. The Treaty prepared the ground for the creation of the euro as the common currency of the European Union by posing a limit on government deficits to 3% of GDP and public debt levels to 60% of GDP, or diminishing sufficiently by gradually approaching that level, in order to enable countries to eventually share a single currency. In 1997, Member States agreed to reinforce the monitoring and coordination of national fiscal and economic policies aimed at implementing the deficit and debt limits established by the Maastricht Treaty, and on 17 June of the same year, the Resolution of the European Council on the Stability and Growth Pact was published in the Official Journal. On 7 July 1997 the Council delineated two related Regulations. The first one is known as the “preventive arm” outlined in Council Regulation (EC) No 1466/97 on the strengthening the surveillance of budgetary positions and the surveillance and coordination of economic policies[8]. The Regulation aims to “ensure sound budgetary policies over the medium term by setting parameters for Member States' fiscal planning and policies during normal economic times” (European Commission)[9]. Accordingly, every year Member States should submit a report presenting the projected fiscal development for the subsequent three years, to be evaluated by the European Commission and the Council. These reports are known as "stability programmes" for Member States adopting the single currency and "convergence programmes" for Member States not adopting the single currency. They represent “an essential basis for the sustainability of public finances which is conducive to price stability, strong sustainable growth and employment creation”[8]. In the interest of transparency and informed public debate, Member States should make public their stability and convergence programmes. In short, this Regulation lays out the rules governing the examination and surveillance by the

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[6] European Commission, Economy and Finance, Stability and Growth Pact.
[7] Mariotto, C. (2022) The Implementation of Economic Rules: From the Stability and Growth Pact to the European Semester. JCMS: Journal of Common Market Studies
[8] Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies.
[9] European Commission, Stability and Growth Pact, the preventive arm.

Council aimed at preventing excessive general government deficits and promoting monitoring and coordination of economic policies.

The second Regulation is called the "corrective arm", outlined in Council Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of excessive deficit procedure. "The corrective arm of the Stability and Growth Pact ensures that Member States adopt appropriate policy responses to correct excessive deficits and/or debts by implementing the Excessive Deficit Procedure (European Commission)[10]. Accordingly, the excessive deficit procedure's objective is to "deter excessive general government deficits and, if they occur, to further their prompt correction"[11]. The Council when deciding whether an excessive deficit exists, according to Article 104c (6), shall take into account the possibility that excessive deficit might be an exceptional and temporary situation due to an unusual event outside the control of the Member State concerned. Member States are committed to "the creation of the appropriate conditions for price stability and for sustained growth conducive to employment creation in all Member States and (…) to normal cyclical fluctuations while keeping the government deficit within the 3% of GDP reference value" [20] and government debt below 60% of GDP. Considering the Commission opinions and recommendations, the Council shall decide on the existence of an excessive deficit in accordance with Article 104, and may recommend and, afterwards, require to the State in question the adoption of specific measures, as provided for by Article 126 TFEU. Finally, if no effective action has been taken, the Council shall impose sanctions on the concerned country, and together with the Commission shall monitor the implementation of action taken[11].

In order to better consider individual national circumstances and to add more economic rationale to the rules of the Stability and Growth Pact, the latter was amended in 2005 adding further details on its implementation outlined in a Code of Conduct. A differentiated Medium-Term budgetary Objective (MTO) was introduced for each Member State according to its budgetary position. The new country-specific medium-term budgetary objectives may deviate from the requirement of a close to balance or in surplus position. More specifically, the medium-term budgetary objectives "shall provide a safety margin with respect to the 3% of GDP government deficit ratio; they shall ensure rapid progress towards sustainability, and they

[10] European Commission, Stability and Growth Pact, The corrective arm/ Excessive Deficit Procedure.
[11] Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure.

should allow room for budgetary manoeuvre, considering in particular the needs for public investment"[12].

Many scholars agree that until 2005 the Stability and Growth Pact was too inflexible and therefor difficult to be enforced by Member States. For these reasons, it is worth mentioning "The reform of the Stability and Growth Pact" Speech by José Manuel González-Páramo, member of the Executive Board of the European Central Bank from 2004 to 2012, given in October 2005 in Frankfurt. He assesses that "EMU fiscal rules should be stringent enough to ensure and maintain confidence in the soundness of the public finances. But they should also be flexible enough to allow for appropriate policy responses in case of exceptional events beyond the control of governments, thus providing some insurance without inducing moral hazard (…) On the other hand, rules also need to be clear and enforceable, which requires transparency and a certain degree of simplicity"[13]. To this end, the 2005 reform of the Stability and Growth Pact included the Medium-Term budgetary Objectives, based upon the state's current debt-to-GDP ratio and long-term potential GDP and on country-specific parameters according to "the economic and budgetary position and sustainability risks of the Member State"[13].

The 2010 sovereign debt crisis in the Euro area demonstrated weaknesses in fiscal and economic policy coordination. It also demonstrated the need to further reform the Stability and Growth Pact. Likewise, it became clear that following the Stability and Growth Pact rules was difficult for many Eurozone Members and that the Excessive Deficit Procedure was not always carried out when necessary[14].

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[12] Council Regulation (EC) No 1055/2005 of 27 June 2005 amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies.
[13] "The reform of the Stability and Growth Pact": Speech by José Manuel González-Páramo. European Central Bank. October 2005.
[14] Schuknecht, Ludger and Moutot, Philippe and Rother, Philipp and Stark, Jürgen, The Stability and Growth Pact: Crisis and Reform (March 21, 2011). ECB Occasional Paper No. 129.

General government balance and debt in euro area countries

(as a percentage of GDP)								
	Budget balance				Gross debt			
	1991	1998	2007	2010	1991	1998	2007	2010
Belgium	-7.4	-1.0	-0.3	-4.1	127.1	117.4	84.2	96.8
Germany	-2.9	-2.2	0.3	-3.4	39.5	60.3	64.9	83.2
Ireland	-2.8	2.4	0.1	-32.4	94.5	53.6	25.0	96.2
Greece	-9.9	-3.8	-6.4	-10.5	73.4	94.5	105.4	142.8
Spain	-4.2	-3.2	1.9	-9.2	43.4	64.1	36.1	60.1
France	-2.9	-2.6	-2.7	-7.0	36.0	59.4	63.9	81.7
Italy	-11.4	-2.8	-1.5	-4.6	98.0	114.9	103.6	119.0
Luxembourg	0.7	3.4	3.7	-1.7	4.1	7.1	6.7	18.4
Netherlands	-2.7	-0.9	0.2	-5.4	76.6	65.7	45.3	62.7
Austria	-2.9	-2.4	-0.9	-4.6	56.3	64.8	60.7	72.3
Portugal	-7.0	-3.5	-3.1	-9.1	55.7	50.4	68.3	93.0
Finland	-1.0	1.5	5.2	-2.5	22.3	48.4	35.2	48.4
Euro area	-5.0	-2.3	-0.7	-6.0	57.3	73.2	66.8	86.1

Sources: European Commission and European Central Bank calculations

Assistance in economic areas for EU members was harmonized under the European Commission "European Economic Recovery Plan" (EERP) announced at the end of 2008, which, previously to the Semester, proved to be problematic from a policy coordination perspective. In fact, "the agreed increase in deficits above the reference value represented a de facto suspension of the requirements laid down in the Stability and Growth Pact" (European Central Bank, 2011)[14]. Therefore, in April 2011, the Council agreed on new measures to strengthen and stabilize economic governance in the Eurozone. The Council Directive 2011/85/EU of 8 November 2011 adopted new detailed rules on the characteristics of the budgetary frameworks of the Member States, necessary to ensure their compliance with obligations under the TFEU, aimed at avoiding excessive government deficits. Minimum requirements were introduced for national budgetary frameworks; namely establishing a credible and effective medium-term budgetary framework including a 3-year fiscal planning horizon based on realistic macroeconomic and budgetary forecasts, making fiscal data publicly available, and ensuring coordination of all accounting rules and procedures in all areas of government activity[15]. The renewed set of EU guidelines launched in 2011, reforming the Stability and Growth Pact is known as Six-Pack, it consists of five Regulations and one Directive:

- Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening

[15] Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States.

of the surveillance of budgetary positions and the surveillance and coordination of economic policies;

- Council Regulation (EU) No 1177/2011 of 8 November 2011amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure;
- Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area;
- And the abovementioned Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States.

These four guidelines address the fiscal policies issues, while Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances, and Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area, introduce the macroeconomic imbalance procedure (MIP). The latter is legally based on Article 121 of the TFEU providing the reasons for multilateral surveillance in the EU, and on Article 136 TFEU and Article 121 TFEU providing the grounds for strengthened surveillance and co-ordination for euro area countries. The MIP is an economic governance mechanism aiming at identifying, preventing, and addressing the advent of potentially deleterious macroeconomic imbalances that could negatively affect the economic stability of a specific EU country, or the Union as a whole. Under MIP, a country may be found to have 'no imbalances', 'imbalances', 'excessive imbalances', or 'excessive imbalances with corrective action', which may trigger the excessive imbalance procedure. In a situation of excessive imbalance, the Member State is subjected to increased monitoring, it may receive policy recommendations, and their policy commitments will be monitored through specific monitoring. The monitoring of macroeconomic imbalances is part of the EU's annual cycle of economic monitoring and guidance: the European Semester.

The evolution of the Semester

In 2011, the European Semester was introduced under the Six-Pack, in response to the weaknesses of the EU's economic governance coordination emerged after the financial and

sovereign debt crisis[16]. Compared to the previous procedures, the renewed legal framework allowed for more systemic monitoring and a faster reaction in case of problems. Even so, the Semester was not meant merely to enhance the enforcement of the EU Treaty requirements, instead, it was designed as a process of both economic governance and social policy coordination that should supervise and report on the key objectives set out in the EU2020 agenda. The Semester aimed at strengthening the Stability and Growth Pact and synchronizing the timetables of the existing policy economic coordination structures by harmonizing the objectives of national fiscal, economic and employment policies. Hence, the fields of surveillance and coordination were expanded beyond fiscal policies to macroeconomic imbalances and related issues under the Macroeconomic Imbalance Procedure European commission. In 2010, the European Council together with Member States decided to synchronize the socioeconomic policy procedures under a common time-based framework, in order to rationalize process and to harmonize the goals of national budgetary, growth, employment and social policies, while taking into consideration the objectives set at the EU level.[17] It is widely recognized by researchers that "the European Semester provides a powerful framework for the EU to exert influence over both economic and social issues and that the governance architecture involves a complex weave of legal powers in which both hard and soft power processes are evident" (Lawn, 2006)[18]. While the main focus of the semester was clearly on managing public finances, it became clear that EU's social goals needed to be given a high priority as well, shaping a 'social turn' often associated with the Juncker Presidency. (Selechopoulou 2021)[19].

Legal basis

As we have seen above, the EU economic governance instruments, introduced in 1997 under the Stability and Growth Pact based on Arts. 121 and 148 of the TFEU, aimed at avoiding national unsustainable fiscal policies that may hinder other Member's economy or EU economy as a whole. Accordingly, under the preventive arm, Member States were required to submit annual macro-economic programs to the European Commission for evaluation and the

[16] Verdun, A., Zeitlin, J., (2018). "Introduction: the European Semester as a new architecture of EU socioeconomic governance in theory and practice". Journal of European Public Policy.
[17] European Council, European Semester.
[18] Lawn, M. (2006), "Soft governance and the learning spaces of Europe". Comparative European Politics.
[19] Selechopoulou, V., Strengthening the capacity of education employers in the European Semester process. University of Nottingham, 2021.

latter, together with the Council would give yearly guidance on fiscal and economic policy through country-specific recommendations. Nevertheless, 2008 financial and then sovereign debt crisis demonstrated that this mechanism was not sufficient to coordinate Member States economic policies and that countries had little incentive to follow the CSRs. Therefore, in 2011, EU economic coordination instruments have been put together under a single annual cycle of economic monitoring and guidance: the European Semester. The latter brings under the same umbrella different economic coordination mechanisms increasing consistency among instruments relying on different legal basis, for this reason it is often described as "the coordination of coordination".[20]

The Semester is a framework that, has been codified as a code of conduct under the Six-Pack, in particular, by Regulation (EU) No. 1175/2011 (on the preventive arm) amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies. It relies upon three main pre-existing economic instruments: the Europe 2020 Integrated Guidelines, the Stability and Growth Pact and the Macroeconomic Imbalances Procedure. The legal bases for the Semester processes are Articles 121 and 148 of the TFEU[21]. The former implies that "Member States shall regard their economic policies as a matter of common concern and shall coordinate them within the Council, (…) In order to ensure closer coordination of economic policies and sustained convergence of the economic performances of the Member States, the Council shall, on the basis of reports submitted by the Commission, monitor economic developments in each of the Member States and in the Union as well as the consistency of economic policies with the broad guidelines (…)".[22] On the other hand, Article 148 of the TFEU outlines that "The European Council shall each year consider the employment situation in the Union and adopt conclusions thereon, on the basis of a joint annual report by the Council and the Commission. On the basis of the conclusions of the European Council, the Council, on a proposal from the Commission and after consulting the European Parliament, the Economic and Social Committee, the Committee of the Regions and the Employment Committee, shall each year draw up guidelines which the Member States shall take into account in their employment

[20] Costamagna, Francesco, The European Semester in Action: Strengthening Economic Policy Coordination While Weakening the Social Dimension? (December 14, 2013). LPF-WEL Working Paper No. 5

[21] European Council, European Semester.

[22] Consolidated version of the Treaty on the Functioning of the European Union - PART THREE: Union Policies and Internal Actions - TITLE VIII: Economic and Monetary Policy - Chapter 1: Economic policy - Article 121

policies. These guidelines shall be consistent with the broad guidelines adopted pursuant to Article 121".[23]

Timeline

Since it was established, the European Semester has changed considerably, therefore it is useful to examine the current timeframe of its mechanisms and procedures. The annual cycle of policy coordination starts in November with the Commission establishing the priorities for the upcoming year, and it ends in October of the following year, when national governments submit draft financial plans considering EU recommendations approved by the Council in the summer[24].

The European Semester cycle starts in November with the adoption of the Commission's Annual Growth Survey (AGS), the publication of the Alert Mechanism Report (AMR), the proposal for a Joint Employment Report, a proposal for recommendations for the Euro area and Commission opinions on the draft budgetary plans of euro area Member States. The annual growth survey identifies general economic and social priorities for the EU and offers Member States policy guidance for the coming year. The ASGS outlines the Commission's standpoint for policy priorities that member states should consider when formulating their economic plans for the upcoming year. The Survey is issued by the Commission in November of the year preceding the year of the European Semester. Its aim is to introduce general EU priorities, decided by the Council and eventually reflected in the national economic and fiscal decisions of Member States. The latter define those priorities in their stability or convergence programmes, under the Stability and Growth Pact, and in national reform programmes under the Europe 2020 strategy, in April.

The annual growth survey is based on:

- Members' progress on Europe 2020 targets in areas of employment, innovation, education, climate /energy use and social inclusion;
- The macroeconomic report, which provides a summary of the economic situation in the EU;

[23] Consolidated version of the Treaty on the Functioning of the European Union - PART THREE: Union Policies and Internal Actions - TITLE IX: Employment - Article 148.

[24] European Council, Council of the European Union. European Semester: a guide to the main rules and documents.

- The joint employment report, analyzing the social and employment situation in the EU;
- The yearly report on the state of integration in the single market.

The Alert Mechanism Report is the starting point of the Macroeconomic Imbalance Procedure, the instrument designed to monitor and prevent macro-economic imbalances across the EU. The procedure aims to spot possible hazards before they materialize, to prevent the emergence of detrimental macroeconomic imbalances, and redress imbalances that have already taken place. In November, before the European Semester process begins, the report is issued by the European Commission identifying in which country the macroeconomic situation may require a further in-depth review. The alert mechanism is founded on a scorecard of 11 indicators that attempt to monitor competitiveness, internal as well as external imbalances in the EU member. Finally, the risk of imbalance is assessed by merging the scorecard data with further information and taking in consideration each country's circumstances. The excess of the agreed ranges in the indicators signals potential macroeconomic imbalances and helps the Commission to decide whether to conduct an in-depth review. Then, the proposal for a Joint Employment Report examines the employment and social situation in Member States, the related challenges, and the policy interventions by national governments.

The recommendation for the euro area covers crucial questions for its functioning and offers directions on practical actions for their enforcement, which are later reported in the country-specific recommendations. This instrument, together with the report on the euro area, a Commission staff working document, enables improved integration of the euro area and national dimensions of EU economic governance, strengthening the surveillance and coordination process. In February, on the basis of the Commission’s recommendation, the Council adopts the euro area recommendation. Generally, in March EU leaders examine the Annual Sustainable Growth Strategy, the Alert Mechanism Report, the euro area recommendation and the proposal for a Joint Employment Report, consequently on this ground they offer general instructions on a shared direction for the EU.

Afterwards, Member States deliver their national reform programmes and their stability or convergence programmes to the Commission in April. The programmes describe the exact policies that Member States are implementing or mean to enforce to encourage growth and jobs, to prevent or redress macroeconomic imbalances, and their precise plans to assure

conformity with EU's fiscal rules. Since the 2022 Semester cycle, the national reform programmes meet one of the two bi-annual reporting requirements of Member States under the Recovery and Resilience Facility. A country report for each Member State is published by the Commission in May. The report provides an analysis of the economic and social developments and challenges facing EU countries and assessing their resilience. After the outbreak of Covid19 crisis, country reports deliver an evaluation of implementation of the recovery and resilience plans to face the economic consequences of the pandemic[25]. The country reports of the Member States indicated in the Alert Mechanism Report, introduce the "in-depth review" examining potential macroeconomic imbalances in the country. Thereafter, in addition to the country reports, the Commission delivers proposals for country-specific recommendations, to be approved and adopted by the Council afterwards. EU governments shall integrate those recommendations into their reform plans and national budgets for the upcoming year[26].

Concerning Euro Area members only, the budgetary monitoring occurs in the autumn as well. By 15 October, they shall present to the Commission draft budgetary plans for the following year. Then, the Commission analyses the plans in accordance with the requirements of the Stability and Growth Pact and the relevant country-specific recommendations, and in November it releases an Opinion of each budgetary plan. When national budgets are finalised, this guidance is integrated in the plans and the Commission analysis of the draft budgetary plans in the Eurogroup I then discussed by Euro area Finance Ministers. Over the year, in order to closely monitor policy implementation, the Commission continues cooperating with Member States' authorities and stakeholders.

Introducing a Social Europe

The European Semester has become the new tool for the economic policy coordination between the supranational institutions and member countries. While covering various policy fields, the yearly communication between European institutions and Member States today is more structured and systematic. More importantly for this research, the recommendations issued by the Commission and the Council are not only meant to avoid unsustainable budgetary policies, as it was the case previous to 2011 reforms, but they also intend to correct

[25] European Commission, Economic Recovery, Recovery and Resilience Facility.
[26] European Council, Council of the European Union. European Semester: a guide to the main rules and documents.

macroeconomic imbalances and tackle other main economic policy goals, such as employment, growth, social policies, and financial market stability (Mariotto 2022). Accordingly, it is claimed that the establishment of the social dimension of the Semester has helped the development of a European social model. On the other hand, it is true that since 2011 reforms, the EU economic governance continues to be changing and evolving. As a matter of facts, many scholars consider the question of balance between economic and social goals as a continuation of the ongoing debate over the purposes and future trajectory of the EU (Stevenson 2019)[27]. More particularly, the introduction of Country-specific recommendations (CSRs), that may be considered both an economic and social instrument, represented a step forward towards coordination in social policies. In fact, Bekker argued that "in 2013 at least half of the CSRs with a social dimension were also tied to at least one economic co-ordination mechanism and hence linked to the possibility of sanction for Eurozone member" (Bekker, 2015). This implies that, when linked to economic co-ordination mechanisms, recommendations concerning social fields are associated with economic sanctions as well, and consequently they may be more effective. In accordance with Bekker's perspective, recommendations strengthened by sanctions are likely to carry more weight than those that have no such legal basis. Similarly, incorporating social policy goals in economic governance mechanisms does not necessarily lead to a negative outcome or limited implementation for social policy objectives, rather it may lead to a complementary implementation for both dimensions through policy coordination[28]. In support of this optimistic approach, there is the analysis by Zeitlin and Vanhercke (2018), which indicates evidence of "a partial but progressive socialization of the Semester, both in terms of its substantive content and its governance procedures[29]. More specifically, the authors, report empirical evidence in support to their claim of developing socialization in the Semester, more specifically in three areas. The first one is an increase in the social content of CSRs, the second one is an improvement in the monitoring of semester processes and outcomes by social policy actors, and the third one is a enhancement in the decision making role of EU policy actors.

[27] Stevenson, H, (2019)."The European Semester: A literature review", University of Nottingham. Public service trade unions – effective intervention in the European Semester.
[28] Bekker, S. (2015). European socioeconomic governance in action: coordinating social policies in the third European Semester. OSE paper series. Brussels: European Social Observatory.
[29] Zeitlin, J. and Vanhercke, B. (2018) Socializing the European Semester: EU social and economic policy co-ordination in crisis and beyond. Journal of European Public Policy, 25: 149-174.

After the launch of Europe 2020 Strategy and the European Semester, many scholars recognized that there has been a gradual socialization of European coordination policies that were going more and more towards a social dimension (Zeitlin and Vanhercke, 2015)[30]. As a matter of facts, many social policy instruments were reinforced, and many others were introduced to strengthen the social dimension of the Semester. For instance, in 2012, the Social Protection Committee (SPC) revitalized the Social OMC by adapting the Common objectives on social protection and social inclusion in accordance with the Europe 2020 Strategy. In the same year, Member States were invited to voluntarily draft National Social Reports, strengthening SPC multilateral surveillance capacity. In February 2013, the Commission launched the Social Investment Package. It provides guidance to address national social policy reforms towards social investment, in line with the AGS intent to promote Member State's investment in job-rich and inclusive growth. Secondly in that year, the Council launched the Youth Guarantee to "ensure that all young people under the age of 25 years receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship within a period of four months of becoming unemployed or leaving formal education" (European Council, 2013). Finally in 2013, a scoreboard of key employment and social indicators was established to be used in the Joint Employment Reports in order to improve and accelerate the identification of employment and social problems.

In 2015, after the 2012-2013 efforts to improve the European social dimension, the Junker Commission seemed to be highly involved in further socialization of both EU policy content and governance, aiming not only at readdressing the consequences of economic crisis but also at regaining trust of EU citizens (Juncker, 2016). In sum, although the Semester was heavily driven by economic considerations in its origins, it is widely recognized that both the content and procedures of this mechanism are moving more and more in the direction of a European social dimension.

[30] Zeitlin, J. and Vanhercke, B. (2015), Economic Governance in Europe 2020: Socializing the European Semester Against the Odds? in Natali D. and Vanhercke B. (eds.) Social policy in the European Union: state of play 2015.

The European Pillar of Social Rights

In this framework of socialization of European policy coordination, 2015 Junker Commission started a process of cooperation with European Parliament, national parliaments, and stakeholders to discuss new economic and social policy measures to be included in national budgets. As a matter of facts, scholars argue that shortly after the euro area crisis, most of the new and revised coordination governance procedures were designed to redress mainly economic and budgetary aspects, while leaving unsolved social policy aspects such as employment and poverty. European citizens, especially in debtor countries, often perceived the consequences of the euro crisis and the austerity measures implemented at the national level, as a cost inflicted by the EU economic governance. For this reason, this dynamic is defined a legitimacy crisis of the Union, consequently explaining the need of European institutions to regain citizens' trust by introducing more social elements in EU governance, boosting employment, and tackling poverty[31]. Accordingly, it is widely recognized that the Junker Commission played a determinant role in the process of socializing EU policies. In 2015, three indicators namely activity rate, youth unemployment, long-term unemployment, were added to the o the existing 11 headline indicators of the Macroeconomic Imbalances Procedure scoreboard, enhancing the use of socio-economic indicators within the Semester cycle, thus making social concerns more visible within the MIP.

On 17 November 2017, at the Gothenburg Social Summit, the Commission proclaimed the European Pillar of Social Rights (EPSR), an attempt to redress the challenges arising from societal, technological, and economic developments. The sole proclamation of the EPSR, without concrete arrangements for its implementation, would have been a merely symbolic solution to socio-economic problems that EU was facing. Therefore, its application through the Semester is essential to give it a strong bureaucratic component and an evidence-based approach, at the same time, reinforcing the visibility of social issues in the Semester. The EPSR acquires two distinct legal forms: firstly, it exists in the form of a European Commission (2017b) recommendation in accordance with Art. 292 of the TFEU. Secondly it is an Interinstitutional Proclamation of the European Parliament, the Council, and the Commission (EPSR 2017). The scope of the document is delineated in the preamble, which outlines how

[31] Vesan, P., Corti, F. & Sabato, S. The European Commission's entrepreneurship and the social dimension of the European Semester: from the European Pillar of Social Rights to the Covid-19 pandemic. Comp Eur Polit 19, 277–295 (2021).

the EPSR intends to address social challenges faced by Member States, including globalization, the digital revolution, changing work patterns and societal and demographic developments. Despite the shared political commitment and responsibility, Article 17 of the preamble of EPSR indicates that its implementation should be caried out at both Union level and Member State level, in accordance with the principles of subsidiarity and proportionality. Moreover, Article 18 highlights that, at Union level, EPSR “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”. Hence, the implications of this articles are that the EU does not acquire new competences through the EPSR. Similarly, it is clear that Member States retain responsibility for determining the basic principles underpinning their individual social security systems.

Another significant aspect of the EPSR is the adoption of a right-based approach to social policies which is very different from the so far used approach to social policy as a productive factor. As a matter of fact, within the Communication on the EPSR subsequently to the public consultation process, the Commission expressly pointed out that EPSR was “about delivering new and more effective rights for citizens”, never referring to social policy as a productive factor and to fiscal sustainability. The name of the Pillar refers to ‘rights’, but in fact the Pillar is non-binding, it lacks any enforceability as EU citizens cannot base direct claims on it. By underlining numerous social rights relating to the areas of fair working conditions and work transitions, such as minimum wages and access to social protection for all, EPSR offers a broader context of social policies. Finally, it was introduced a new Social Scoreboard: 14 indicators adopted together with the EPSR that flow into the Semester to monitor the implementation of the Social Pillar, enabling the Commission to measure societal progress according to EPSR principles.

After the preamble, EPSR is divided in three chapters setting out twenty principles for a strong social Europe in three main areas: CHAPTER I on Equal opportunities and access to the labor market, CHAPTER II on Fair working conditions, and CHAPTER III on Social protection and inclusion. The first chapter underlines the need for a fairer access to the labor market, firstly through quality education and training, which are European citizens’ rights in order to successfully enter the labor market and participate in society. The second principle of the chapter concerns gender equality: it states that there shall be equality of treatment and opportunities between men and women, and the latter “have the right to equal pay for work of

equal value"[32]. Moreover, the chapter outlines in the third principle, the right of equal opportunities concerning employment, regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation, and, in the fourth principle, the right to right to timely and tailor-made assistance to improve employment prospects. The second chapter deals with fair working conditions, more specifically it stresses the right to secure and adaptable employment and the necessity of flexibility and innovative forms of work for employers to adapt swiftly to labor market changes. Concerning wages, the explicit reference to the need to introduce adequate minimum wages represents a highly debated topic in the Union. Other elements present in this chapter which can be considered as relatively new are the specific reference to the significance of work-life balance, and the importance of ensuring a healthy, safe and well-adapted work environment, together with data protection aiming to ensure fair working conditions. The third chapter regards social protection and inclusion, drawing attention, among others, on childcare, social protection, unemployment benefits and employment services that should incentivize to reintegrate in the labor market. Within the document it was reaffirmed the right to old age and income and pensions, together with access to affordable and preventive healthcare and essential services such as including water, sanitation, energy, and transport. Finally, in the third chapter the right of housing and assistance for the homeless was introduced to promote their social inclusion.

The Social Scoreboard has until now been the most concrete instrument for EPSR principles implementation due to their lacking enforceability and their identification as soft policy instruments. In fact, its purpose is to supervise the status of implementation and achievement of the EPSR principles. With a few words from the Commission: "The European Pillar of Social Rights is accompanied by a scoreboard that will monitor the implementation and progress of the Pillar by tracking trends and performances across EU countries and assess progress towards upwards socio-economic convergence. This analysis will feed into the European semester of economic policy coordination" (European Commission 2017). Moreover, in a March 2018 Communication, the Commission defined the European Semester as the key instrument for overseeing the implementation of the EPSR, using Social Scoreboard being used to assess performance (European Commission 2018). The European Pillar of Social Rights was immediately incorporated in the 2018 European Semester, and the resulting

[32] European Parliament, Council of the European Union, European Commission, European Pillar of Social Rights. 16 November 2017.

thematic rankings indicated the necessity of reforms in employment and social policies. In March 2018 the Commission published the so-called Country Cards presenting a brief review of the key governance processes for all Member States. These Country Cards include a heading outlining a country's social situation, highlighting positive and negative developments of Social Scoreboard indicators, along with the headings "Macroeconomic Situation", "Progress on Country-Specific Recommendations" and "Fiscal Situation".

European Social Policies before the Pandemic

2019 European social framework

2019 has been the year preceding the Covid19 pandemic, the year of the European Parliament elections, the appointment of the von der Leyen European Commission, the year of the European Green Deal, the digital and ecological transition. All these features had a significant impact on the social policymaking in the EU, on 2019 developments enhancing European labor law, and on the implementation of the European Pillar of Social Rights. By the first half of 2020, the Covid19 pandemic propagated all over Europe, resulting in widespread lockdowns with destabilizing economic and social consequences. The European response to the crisis was very different and more prompt compared to 2008 financial and then sovereign debt crisis measures. In sum, Covid19 outbreak interfered with several planned initiatives on EU social and employment policy, that will be discussed in this chapter.

The context in which 2019 European Parliament elections were held was characterized by the United Kingdom's imminent departure from the European Union and the challenges posed by climate, technological and demographic change. The elections that took place in May 2019 are often considered to be historic for two reasons. The first one is that voter participation was relatively high with the first rise in turnout in European elections, indicating a growing interest of citizens in EU affairs. The second significant aspect is that 2019 elections ended the dominance of the two main centrist parties: the center-right European People's Party and the center-left Progressive Alliance of Socialists and Democrats. In particular, they left room for relatively newer parties such as the Greens or and far-right populists and more Eurosceptics parties. For these reasons, many scholars argue that the decline of the two main party groups, resulted in a more polarized political arena where new cleavages appeared. Accordingly, there are three new cleavages: the first of them shifted focus from market making social policy to a market correcting approach. In fact, when comparing the electoral manifestos of the political groups in 2014 and 2019, it is clear the social dimension relevance increased, with more support for market-correcting than for market-making social policy. Indeed, it is true that employment was a central issue in both elections, however more specific attention was paid to social policy in 2019, with specific reference to the EPSR. The second new cleavage concerns Members of European Parliament's support for more or less European integration, in particular, there seems to be a division between pro-integrationists, who support a binding EU interference in welfare

states and national labor markets, and anti- integrationists, who favor national sovereignty on social affairs. A third plausible source of conflict is the perception of a Member State as a debtor or as a creditor country, as a consequence of the sovereign debt crisis, which is often associated to the distinction between "high wage/high welfare" and "low wage/low welfare states"[33]. Finally, researchers argued that we may explain support for and rejection of the adoption of the EPSR through these differences on social policies preferences [34].

In June 2019, the European Council adopted the new Strategic Agenda to structure EU activities for the next five years. Among the four priorities set out in the agenda, two of them are central to social policy, namely, developing a strong and vibrant economic base and building a climate-neutral, green, fair, and social Europe. These guidelines differ substantially from 2014 strategy, which was mainly centered on efforts to return to economic growth. In sum, the 2019 Strategy aimed at achieving a climate-neutral, green, and fair social Europe, among other things, through the implementation of the EPSR. In July 2019, Ursula von der Leyen was selected as the new Commission President, after the lack of support for the Spitzenkandidat of the strongest political group by the European Council, and the rejection of three designated Commissioners by the Parliament.

New political guidelines

On 1 December 2019, the von der Leyen Commission finally took office. The newly appointed Commission partly deviates in important aspects from the direction indicated by the Juncker Commission, for instance climate change and digital transition became central issues in 2019, not least due to the success of Green parties in the European Parliament elections. In fact, the new Commission outlined six main political guidelines upon which to base its work: strategies put forward replacing the previous Europe 2020 Strategy of 'smart, sustainable and inclusive growth'. The first one concerns the European Green Deal, aiming at a climate-neutral Europe's economy and society by 2050. Presented on 11 December 2019 by the European Commission as a 'new growth strategy', this ambitious package of measures attempts to cutting greenhouse gas emissions, to investing in cutting-edge research and innovation, to preserving

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[33] Ferrera M. (2017) The Stein Rokkan Lecture 2016: Mission impossible? Reconciling economic and social Europe after the euro crisis and Brexit, European Journal of Political Research.
[34] Vesan P. and Corti F. (2019) New tensions over Social Europe? The European Pillar of Social Rights and the debate within the European Parliament, Journal of Common Market Studies.

Europe’s natural environment. The goal of a just ecological transition is regarded as essential in building a more resilient, sustainable, and fair Europe. Likewise, it is often argued among scholars that the aims of social and environmental policy are not as different as one may think, as a matter of facts, both strive for addressing the deficiencies of the market economy in situations of imperfect information, incomplete markets, and other externalities, which fully justify public intervention. The second political guideline regards the development of an economy that works for people, deepening the Economic and Monetary Union by supporting small and medium-sized enterprises, through an action plan that fully implements the European Pillar of Social Rights. The third guideline is the commitment for a Europe fit for the digital age, improving the digital skills for both young people and adults, and grasping the opportunities from the digital age within safe and ethical boundaries. The fourth political guideline head for protecting the European way of life, as regards protecting citizens and values by upholding the rule of law including the relaunch of the Dublin reform of asylum rules. The objective of the fifth political guideline is to strengthen the role of Europe in the world, more specifically, the brand of responsible global leadership with an open and fair trade agenda towards a genuine European Defence Union. Finally, the sixth guideline outlined by the von der Leyen Commission, recommends for a new push for European Democracy and a strengthened relationship between the European Commission and the European Parliament. In order to manage Commission work on thematic priorities, the new Commission appointed three Executive Vice-Presidents (EVP) and five Vice-Presidents, in particular Frans Timmermans, a social democrat, appointed as EVP for the Green Deal, Margarete Vestager, a social liberal, for digitalization, and Valdis Dombrovskis, a liberal conservative, for an economy that works for people. All three are from small, old or new Member States, and of different political orientation.

Among the abovementioned purposes of the newly appointed Commission, the most remarkable one, surely is the European Green Deal. This ambitious package of measures sets out how the EU intends to become the first continent achieving climate neutrality by 2050 through a just transition that conciliates climate justice with a revised and strengthened European role in social policies, including social protection. Those regions and workers that will be most hit by the economic and social costs incurred by the changes to European industries to meet the challenging climate targets will be supported by a Sustainable Europe Investment Plan and Just Transition Mechanism. For instance, reskilling programmes will be provided to workers in order to facilitate them in gaining access to new economic sectors

(European Commission 2020). Among the ambitions of the new Commission there is the intent to align EU policymaking with the United Nations' Sustainable Development Goals (SDGs) and integrate them into the European Semester to guide the Commission's work[35]. The expectation is that the Semester monitoring progress that ensures a closer coordination of Member States' efforts, will favor the alignment of EU economic and employment policies with the SDGs as well as achieving the European Green Deal targets.

Despite the shift in central issues which were mainly focused on climate change, digitalization and alignment with the United Nations' SDGs, social policies continued to be central in the von Der Leyen Commission. The social and employment agenda remained similar to the course charted by the Junker Commission and more specifically, the new Commission's social and employment agenda builds partly on key initiatives introduced under the previous Commission such as the European Pillar of Social Rights (EPSR). The composition of parties, the pro-EU majority in the European Parliament, and the quasi-entrepreneurial mindset of the Commission, may be the factors that paved the way for more social policy activity based in the widened use of both soft coordination and legislation in pursuit of a broader set of social goals. In fact, the EPSR, the Junker Commission's ambition for social policy coordination, has been fully endorsed by the new Commission, and its integration into the European Semester improves its effectiveness especially through the scrutiny process of National Reform and Stability/Convergence Programmes. Despite its rights- based language, the implementation of EPSR depends primarily upon the Open Method of Coordination, and its soft law systems of benchmarking and recommendations as a consequence of the subsidiarity rule that defines social and employment policy in general. The only exceptions to the subsidiarity principle ruling in social policies are the principles of gender equality and equal opportunities, together with specific principles listed under the EPSR's 'fair working conditions' chapter, that are regulated according to EU-level standards.

Social and labor policy initiatives

Besides the implementation of the EPSR, the new Commission envisaged further new social and labor policy initiatives. Among these there is the Directive on Transparent and Predictable Working Conditions, the proposal of a legal instrument to ensure fair minimum

[35] European Commission, Political Guidelines for the next European Commission 2019-2024, 27 November 2019. Luxembourg: Publications Office of the European Union, 2020.

wages for all workers in the EU, the social partner Framework Agreement on Digitalization, the enhancement of the Youth Guarantee, and the establishment of the European Labor Authority.

The Directive on Transparent and Predictable Working Conditions was adopted on 13 June 2019 after negotiations between the Council and the European Parliament. It originates in a 2017 proposal by the Junker Commission to give employees the right to written information on the key aspects of their employment relationship, in response to the rise in non-standard employment, particularly in the gig economy. Additionally, it strives to standardize the definitions employee, employment contract, and employment relationship.

As it was proposed in the Chapter II: Fair working conditions of the EPSR, and as it was outlined in the 2019-2024 Political Guidelines, the von der Leyen Commission committed to the establishment of a legal instrument to ensure a minimum wage to European workers. On 14 January 2020, the Communication on "Building a Strong Social Europe for Just Transitions" confirmed the commitment to guarantee minimum wages, and on the same day, first-stage consultation of the social partners on how to develop such legal instrument was launched[36]. On the basis of the social partners replies, On 3 June, the Commission initiated the second-stage consultation, and finally launched its initiative on 28 October 2020[37]. With the words of the Commission: "The proposed Directive aims to ensure that the workers in the Union are protected by adequate minimum wages allowing for a decent living wherever they work. (…) In order to reach these objectives, the proposed Directive aims at promoting collective bargaining on wages in all Member States" (European Commission 2020). Ultimately, the final text of the directive on adequate minimum wages was adopted by the Council on 4 October 2022, however, it is important to highlight that the one on minimum wage is still a highly debated topic in European social policy arena.

The social partner Framework Agreement on Digitalization was adopted by the European Social Partners at the Tripartite Social Summit on 23 June 2020. Linking the social with the digital agenda, the agreement recognizes the need for skills development associated

[36] European Commission, Proposal for a Directive of the European Parliament and of the Council on adequate minimum wages in the European Union, 28 October 2020.
[37] European Parliament, Fair minimum wages in the EU Pre-legislative synthesis of national, regional and local positions on the European Commission's initiative. EPRS, European Parliamentary Research Service. October 2020.

with digital change at work and commits to a joint skills development plan for European workers.

On the other hand, the Youth Guarantee was introduced in 2013 under the Barroso Commission as a consequence of the youth unemployment crisis. It consists in a commitment by all Member States to make sure that all young people under the age of 25 obtain a high-quality offer of employment, continuing education, or traineeship within a period of four months after leaving education or becoming unemployed. The Youth Guarantee was supported within the Youth Employment Initiative by allocated funds from the European Social Fund and, in 2017, it was linked with the EPSR. Finally, in response to the Covid19 crisis, the Youth Guarantee has been improved and more funds were allocated for it.

On 31 July 2019, the European Labor Authority (ELA) has been established to help Member States and the Commission to guarantee that EU rules on labor mobility and social security coordination are implemented in a fair, simple, and effective way. The newly formed authority is located in Bratislava, Slovakia and it is designed also to facilitate and ensure effective labour mobility in Europe, in particular by the activities of European Employment Services. The idea of monitoring the effective enforcement of fair mobility within Europe to workers and companies by Member States was already outlined by the Junker Commission which, in September 2017 announced the commitment to the creation of such authority, engaged to "cooperation and exchange of information between competent national authorities and executing common activities such as joint labour inspections or the training of national staff on cross-border mobility rules" (European Labor Authority, 2020).

The outbreak of the pandemic and early social and economic implications

With the purpose of understanding the adjustments of the European Semester, of fiscal and social policy as a consequence of the Covid19 crisis, it is essential to analyze the first economic and social implications together with the early policy responses derived from the outbreak of the pandemic.

During the first weeks of the Covid-19 crisis, in February and early March 2020, the European Union did not take particularly effective action. For many, especially at the beginning of the pandemic, it appeared that Member States ignored the main principles of EU integration

for instance open frontiers and the prohibition of export bans. In other words, with the emergency of the infection, national interests dominated. However, soon after, European Member States began to work together very quickly addressing the worst public health crises they have ever had to face. In fact, through March and early April 2020, the immediate response included coordinating the repatriation of stranded citizens, sharing relevant epidemiological knowledge, reopening borders for medical goods, stocking up key supplies, opening joint procurement processes for medical and protective equipment, distributing health personnel, and allocating new funds for urgent healthcare spending. Indeed, EU countries' first reactions have been quite similar among them, focusing on blocking the spread of the virus and afterwards, mitigating the economic and social effects of lockdowns[38]. As soon as the first wave of Covid19 was overcome, proposals for longer- term measures began to emerge.

In early and mid-March 2020, when the threat to public health from Covid-19 became clear to Member States, the latter decided to impose lockdown measures to contain the spread of the pandemic by limiting as much as possible social and economic activities, unless essential for life and health. These limitations, effectively containing the spread of the disease, caused a deep economic depression as well, threatening economic and social stability of every European Member State.

With regard to the first economic consequences of the pandemic, initially, it was a common hope among European countries that Covid-19 would lead to a V-shaped economic depression with a severe and rapid economic slowdown followed by a quick recovery as the virus crisis was handled. As we know today, this was not the case: in fact, a full recovery was threatened by the potential new Covid-19 outbreaks and by the unpredictability of developments in other countries. After all, as long as the crisis proceeded, it could lead to bankruptcies of businesses, non-repayment of bank debt (jeopardizing the finance sector), and higher unemployment rates. Hence, it was clear that the longer the crisis lasted, the harder recovery would become. Moreover, there were substantial differences among European countries, for instance in the spread of the virus, in the promptness and effectiveness of lockdown measures and in success with testing, tracking, and tracing. Likewise, these differences lead to political differentiation across the EU. For Example, according to Eurostat

[38] Baldwin R. and di Mauro B. W. (eds) (2020) Mitigating the COVID economic crisis: act fast and do whatever it takes, London, Centre for Economic Policy Research.

data, "the relatively strict lockdown in France was associated with a 64.8% fall in construction activity (April 2020 compared with April 2019), while there was little change in Germany and even growth of 2.2%, 12.0% and 8.9% in Finland, Denmark and Romania respectively" (Eurostat 2020). However, it was not possible for national governments to precisely calculate the final cost of the measures adopted during lockdown since it was not immediately clear for how long they they would be kept in place.

The first social effects of the Covid-19 measures differ within countries as well as the economic ones. Despite several measures adopted by Member States to counter unemployment risk, citizens on non-standard contracts, such as self-employed, temporary, and part-time workers, had less protection than those on regular contracts. In fact, according to the OECD, "less secure employment was often high in the sectors most affected by lockdown, reaching more than 60% in Italy" (OECD 2020). Moreover, "employees in tourism activities were particularly vulnerable, with 45% of employees in Greece in 2017 on fixed-term contracts, for example, often working for only part of the year" (Eurostat 2020). Furthermore, a Labour Force Survey data by Eurostat, on the second quarter of 2020, released on 14 August 2020, show falls in total employment of 2.7% for the EU as a whole. It is highlighted that by the end of April 2020, 42 million employees were covered by applications for support under short-time work schemes. In all the countries present in the survey the scheme was time-limited, while solely in Denmark, in the Netherlands, and in Ireland allowances covered 100% of original pay and then for limited periods. The lowest level was 40% of the national average wage in Poland[39]. In light of these data, Müller and Schulten, argue that there seems to be a general tendency for worse provision in lower-income countries[40]. These data on first social effects of Covid19 on labor markets seem consistent with the results of a Eurofound 2020 survey, using 85,000 responses received by 30 April 2020 from across Europe. From the results it emerges that 5% of respondents had lost their jobs permanently and 23% were temporarily idle, (in accordance with the proportion covered by short-time working schemes discussed above) while 50% had seen some reduction in working time. Consequently, it is argued that this employment situation translated into severe financial consequences, especially in lower-income countries.

[39] Eurostat, GDP and employment flash estimates for the second quarter of 2020, Newsrelease Euroindicators. 14 August 2020.
[40] Müller T. and Schulten T. (2020) Ensuring fair short-time work – a European overview, Policy Brief 7, Brussels, European Trade Union Institute (ETUI).

As we have seen, through March and early April 2020, Member State governments took measures to face the crisis that were unthinkable. Among them state support to businesses and to the self-employed, aiming to keep people in employment, together with loans and credit guarantees and relief from various tax obligations, especially those related to employment. In fact, several countries not only suspended some tax obligations, but also social contributions and even decided not to pursue tax arrears. However, it is claimed that fiscal decisions aiming at supporting businesses in recovering from the economic consequences of lockdown may risk helping businesses with no prospects, taking into consideration that the need was for speed rather than time-consuming precision in targeting.

On the other hand, despite having learnt the lesson after the 2008 financial and subsequent sovereign debt crisis, normally the EU is not well structured for rapidly responding to a crisis. This is because decision-making can be particularly slow at times, requiring lengthy consultations and unanimity on issues affecting the budget. The latter is in fact set for a seven-year period, and it is equivalent to around only 1% of EU GDP, whereas much more was needed to face the economic and social consequences of the pandemic in the Member States (Myant 2021). The first measures taken by the EU involved merely a relaxation of some of its fiscal rules which could jeopardize Member State's spending initiatives. Among these early EU initiatives there are surely changes to the rules on state aid, which were introduced to prevent governments from giving their firms a competitive advantage by direct financial support over those in other Member States. Previously to the pandemic, the European Commission already allowed exemptions for support aiming at contributing to regional development and support for small and medium-sized enterprises and could be consequently justified as state aid. On 19 March 2020, the Commission presented new arrangements on what was allowed with the aim to increase state aid especially to companies in difficulty, including liquidity support, state guarantees and low-interest loans. Afterwards, the Commission added to the new allawances, namely research relating to Covid-19, wage subsidies and recapitalisation of ailing companies, albeit with conditions such as a suspension of dividend payments. However, Hornkohl and van't Klooster argue that "the extent of state aid is likely to be greater in higher-income countries with lower debt burdens. It is also likely to be biased towards helping bigger companies that are better equipped to lobby governments and towards high-profile industries, such as the automotive sector", for instance Germany is very much one example. (Hornkohl and van't Klooster 2020). Hence, this relaxation of state aid regulation could end up widening divergences across the EU, since easing state aid rules may foster continued geographical

concentration of new technologies, for instance in the automotive sector, unless complemented by other means to redress geographical imbalances[41].

A second significant easing in European regulation during the first period of the pandemic, concerns budgetary issues. On 20 March 2020, the Communication from the Commission to the Council on the activation of the general escape clause of the Stability and Growth Pact, established that “the COVID-19 pandemic has led to a major economic shock that is already having a significant negative impact in the European Union. The consequences for GDP growth will depend on the duration of both the pandemic and of the measures being taken by national authorities and at European level to slow its spread, protect production capacities and support aggregate demand.” Therefore, the general escape clause allows Member States to undertake budgetary measures to deal adequately with such situation, within the preventive and corrective procedures of the Stability and Growth Pact. More specifically, for the preventive arm, Articles 5(1) and 9(1) of Regulation (EC) 1466/97 state that “in periods of severe economic downturn for the euro area or the Union as a whole, Member States may be allowed temporarily to depart from the adjustment path towards the medium-term budgetary objective, provided that this does not endanger fiscal sustainability in the medium term”. For the corrective arm, Articles 3(5) and 5(2) stipulate that in the case of a severe economic downturn in the euro area or in the Union as a whole, the Council may also decide, on a recommendation from the Commission, to adopt a revised fiscal trajectory.”[42] This implies that EU Finance Ministers agreed to use this general escape clause as a consequence of a major economic recession in the Euro area or in the Union as a whole, to suspend the obligations of the Stability and Growth Pact. However, while Member States were entitled to take all necessary action to protect health care and their economies, any relaxation of the SGP were to be temporary and targeted. Therefore, at that time it was unclear whether and when these allowances would terminate, when Member States should redress any extra debt potentially accumulated or if further provisions of austerity might not be imposed. Finally, in April 2020 there was a change in the rules for Structural Funds that were rapidly approved since no additional spending was involved. More specifically, €8 billion of unspent funds already allocated to Member States for long-term investment could be used for emergency spending

[41] Hornkohl L. and van’t Klooster J. (2020) Covid-19 state-aid rules harm poorer Member States, Social Europe, 11 May 2020.
[42] Communication from the Commission to the Council on the activation of the general escape clause of the Stability and Growth Pact. European Commission, Brussels, 20.3.2020.

related to the Covid-19 crisis under the new Corona Response Investment Initiative (European Commission 2020).

In light of the above, it is clear that the European Commission recognized the need for an active role to help Member States most affected by the economic and social consequences of the pandemic, noting that 'the crisis risks harming the least resilient and still-converging Member States most' (European Commission 2020b: 6). However, it is also true that not all countries were affected the same way, therefore Member States often had different perspective on the action to be taken. As a matter of facts, any further spending has faced major political obstacles due to the opposition of some governments to additional financial transfers between countries or to sharing of risks. Among those governments opposing further shared economic action addressing the negative effects of the pandemic, there surely were the Netherlands, Austria, Sweden, and Denmark, with Finland often in accordance with them forming the so-called Frugal Four. These countries in fact, have not been particularly affected by Covid19 crisis and had low or moderate levels of debt. Furthermore, it is claimed that since Sweden and Denmark were not Eurozone members, they had less incentive to feel responsible for the future of the common currency. Another source of disagreement

Despite different perspective on the action to be taken against the pandemic economic and social consequences, the urgency of the need to address the crisis was quite clear, indeed there was strong pressure for a more active European approach. On 26 March 2020 the European Council approved a package providing €540 billion to recover from the crisis. Rather than focusing on long-term plans, the package contained three instruments centered on immediate economic survival.

The first instrument is the ESM Pandemic Crisis Support through which Eurozone members are allowed to use loans from the European Stability Mechanism (ESM) for "to be used for recovering costs related to direct and indirect health care, cure and prevention related costs due to the Covid-19 crisis" (European Parliament 2020). It consists of a credit line developed to assist ESM Members in the financing of healthcare expenses related to the pandemic crisis. The instrument offered loans amounting to 2% a country's GDP at very low interest rates, and it was available until the end of 2022. Despite the fact that no Member State applied for it, the facility played an effective role during the Covid19 crisis by reassuring

financial markets on the economic accountability of euro area countries[43]. The debate on this instrument was particularly heated among European politicians and scholars mainly due to the fear that it could later become a pretext for imposing austerity, especially in light of previous MES recipient countries' experience, namely Portugal, Cyprus, Ireland, Greece, and Spain.

The second instrument to address the first economic and social consequences of the pandemic is the Support to mitigate Unemployment Risks in an Emergency (SURE). The initiative was presented by the European Commission on 2 April 2020 following lengthy debates over the possibility of a common unemployment insurance scheme. The SURE aims at supporting short-time work schemes and similar measures, acting as a second line of defense to help Member States protect jobs, employees and self-employed against the risk of unemployment and loss of income. Member States that need substantial funding to address sudden increases in public expenditure for the preservation of employment can apply for financial assistance up to €100 billion in the form of loans allocated on advantageous terms from the EU. Each Member State's contribution to the overall amount of the guarantee corresponds to its relative share in the total gross national income of the European Union, based on the 2020 EU budget. To finance the scheme, the Commission issued social bonds through the Social Bond Framework, meant to guarantee to investors that the funds mobilized will serve a truly social objective. In 2021, 9 million people and over 800,000 firms were covered by SURE in 13 Member States. So far 19 Member States have asked to benefit from the scheme, and have received all of the requested amount, for a total of €98.4 billion in back-to-back loans. Italy for instance, is the country that received the greatest loan amount: €27.438 billion with the latest and final disbursement on 14 December 2022 (European Commission 2022).

Finally, the third element initially introduced to address the first economic and social consequences of the pandemic crisis was a €25 billion Covid-19 guarantee fund established by the European Investment Bank (EIB). The instrument enabled lending of up to €200 billion, with a focus on smaller firms. The measure was based on the confident premise that an initial EIB credit would lead to co-financing from private banks to reach investment higher than the initial EIB contribution.

[43] European Parliament, Briefing, The ESM Pandemic Crisis Support. Economic Governance Support Unit. Directorate-General for Internal Policies. August 2020.

In conclusion, the abovementioned measures adopted in the early period of the pandemic are characterised by minimising the need of extra spending and by keeping new redistributive elements at a very low level, due to Member States initial different perspectives on the action to be taken.

The European Semester adaptations following Covid19 crisis

The Recovery and Resilience Facility and the European Semester

When trying to analyze the context of the EU response to the socio-economic consequences of the Covid-19 pandemic, it is essential to consider the differences with the 2008 financial and the subsequent sovereign debt crisis. There are three main reasons of differentiation that are often recognized among scholars. The first one is the nature of the economic shock, which differently from the 2008 one, was caused by a pandemic which hit all countries in the same way. The economic crisis derived from a public health shock rather than specific internal economic imbalances caused by negligent debtors as it was the case in 2008 financial crisis. Although the pandemic hit all countries, it is said that some were hit more than others, or at least the impact of the disease entailed very distinct consequences. In fact, the demand and supply shocks brought on by the measures aimed at tackling the virus, hit Member States' economies in very unequal ways. The reforms that were required to national governments as a condition for accessing loans, addressed central issues in the fiscal, labor market and social policy domains. It can be said that the lesson has been learn from the very stringent conditionalities, considering the more relaxed conditionality the RRF seems to entail. With the benefit of hindsight, it seems that the strict conditions for policy reforms had a top-down approach and included overoptimistic assumptions on the outputs of the reforms on achieving EU economic goals. As a matter of facts, we can say today that the required reforms had severe negative effects on societies and economies. The second explanation for the difference between the two crises surely is the evolved EU institutional framework: this time the EU could rely on different and more effective policy tools. The third factor to consider is the different ideational framework. After the outbreak of the pandemic there was a general consensus for calling upon national governments to act fast and coordinately to redress the social and economic consequences of the crisis. Across countries these intentions resulted in the development of four main steps: provide liquidity, support income and employment, protect the financial system and speed up economic recovery. Anyhow, although the discussions on the funding options which included so-called Coronabonds was much more controversial, an agreement on common action to be taken at European level was finally reached.

On 21 July 2020, after weeks of debate and negotiations, the European Council announced the European Union Recovery Plan and Budget for 2021–2027. The agreement

came after days of negotiations including Member States considered frugal, which initially opposed extending grants to the (at that time) hardest-hit nations such as Italy and Spain. When it was launched, the plan contained a €750 billion rescue package within the Next Generation EU (NGEU) fund. It was not only a significant community response to the social and economic issues brought by the covid19 pandemic, but also another important collaboration towards more European integration. The major innovation of the fund is that it makes it possible to issue a significant amount of common debt. More to the point, it was the first time that the European Commission was able to conduct large-scale borrowing, by raising funds on capital markets on behalf of the Member States.

Many scholars and politicians suggested that the size of the issuance of common debt by the Commission in the NGEU represents a radical change that could lay the foundation for more permanent changes. The Next Generation EU is a €800 billion temporary recovery instrument to help EU countries to recover from the immediate economic and social damage caused by the covid19 pandemic. The backbone of NGEU is the Recovery and Resilience Facility (RRF), an instrument providing grants and loans aimed at supporting reforms and investments in the EU Member States at a total value of €723.8 billion. The rest of the funds from Next Generation EU are being disbursed by several EU programmes: the Recovery Assistance for Cohesion and the Territories of Europe, Horizon Europe, InvestEU, European Agricultural Fund for Rural Development or the Just Transition Fund. The aim of the RRF is not only to mitigate the economic and social effects of the pandemic, but also to make EU economies and societies more sustainable, resilient, and better prepared for the challenges and opportunities of the green and digital transitions. The Facility is also at the center of the implementation of the REPowerEU Plan: the European Commission's response to the socio-economic consequences and global energy market disruption caused by Russia's invasion of Ukraine. The RRF is a temporary recovery instrument that enables the Commission to raise funds for Member States to implement reforms and investments to be implemented by end-2026 in line with the EU's priorities and to redress the issues identified in country-specific recommendations (CSRs) under the European Semester framework. The RRF makes available €723.8 billion, of which €385.8 billion in loans and €338 billion in grants (in current prices). The instrument is built on six pillars: green transition; digital transformation; economic cohesion, productivity and competitiveness; social and territorial cohesion; health, economic, social and institutional resilience; policies for the next generation. It should help to achieve the EU target of climate neutrality by 2050 as well, setting European countries on a path of digital

transition, creating jobs, and boosting growth. The condition to receive funds under the RRF, is that Member States have to deliver Recovery and Resilience Plans outlining how they are going to invest the funds, 37 per cent of which must be dedicated to green transition and 20 per cent to digital transformation. Afterwards, they need to fulfil the relevant milestones and targets, and before any disbursements under the facility occurs, the Commission should assess the satisfactory fulfilment of those milestones and targets. Hence, the release of Facility resources is attached to the assessment of the national Recovery and Resilience Plans since the latter should set out a package of reforms and public investment projects coherent with CSRs prescriptions described in the European Semester (European Commission, 2020). One element of the Semester's integration into the temporary recovery instrument is the use of its annual timeline for an exchange of information among EU governments and also between state governments and EU-level institutions. The other element is the reliance on CSRs as a mechanism for assessing the reform progresses of Member States. All in all, these aspects suggest some support for the idea of the European Semester as a reasonable instrument for EU economic governance. Hence, it is clear the Commission's reliance upon the Semester CSRs as a mechanism for coordinating economic and social policies across the EU. Despite the fact that Semester recommendations are linked to different instruments, the logic behind the Semester surveillance mechanism is that of limiting negative spillover effects in the single market between different national economies. In fact, in May 2020, the Commission decided that the Semester had to be part of any sort of pandemic aid package (European Commission, 2020).

However, various scholars, journalists, and political actors judged the Semester to be ineffective and too bureaucratic for this task. Therefore, the Commission and Council decision to continue using the Semester as a foundational part of the covid19 economic rescue plan despite criticisms, remains a puzzle in the study of EU responses to the pandemic crises. According to a recent research by D'Erman V. and Verdun A., CSRs implementation records are mixed, in fact, Member States appeared to have a different rate of implementation, and it emerged that the European Semester focuses on many different policy areas with a range of types of recommendations. The study highlights that European supranational governance has already experienced new institutional solutions to past crises, making the example of the Banking Union, or the European Stability Mechanism (ESM) used in response to sovereign debt crisis. These instruments followed already known institutional structures, firstly trying out temporary ad hoc arrangements, and gradually incorporating into a more permanent structure.

Therefore, it is argued that also in the case of implementing European Semester for the provision of the Recovery and Resilience Facility, there was some learning from prior European integration that functioned, as well adding new provisions to overcome the gaps in integration that was causing the difficulties faced in previous crisis[44].

The European Semester as a coordination tool for the Recovery and Resilience Facility

It is clear that while the aim of the European Semester is to coordinate economic and social policies of the EU, the responsibility for domestic policies lies with each Member State. Moreover, while it is true that the Semester provides structure and direction to recipient countries, it is also true that it is not overly intrusive. In fact, according to Verdun A. and Vanhercke B., supporters of more EU-level intervention see this instrument as insufficient since it is not stringent enough. On the other hand, those that are not in favor of top-down rule from the EU find that the latter is interfering too much with domestic policies. However, in the RRF governance framework, the Semester is considered as appropriately situated between these two positions. Namely, it allows a certain degree of balance between delivering sufficient restrictions and leaving considerable room for maneuver for Member States to decide and implement their selected domestic policy options. This leeway for Member States to choose their specific domestic policy is essential since many of the matters addressed in the RRF are distinctly national competences and a considerable part of the newly available funding consists of loans.

The Regulation of 12 February 2021 establishing the Recovery and Resilience Facility outlines that "at union level, the European Semester for economic policy coordination, including the principles of the European Pillar of Social Rights, is the framework to identify national reform priorities and monitor their implementation" (European Parliament and Council of the EU 2021)[45]. This Regulation makes clear the three main points explaining the alignment between the Semester and the RRF. The first one is that Recovery and Resilience Plans (RRP) will contribute to addressing all or a significant subset of issues identified in the relevant CSRs. Secondly, Member States are allowed to submit their National Reform Programme (NRP) and their RRP in a single integrated document in order to reduce and

[44] D'Erman, V., Verdun, A. (2022) An Introduction: 'Macroeconomic Policy Coordination and Domestic Politics: Policy Coordination in the EU from the European Semester to the Covid-19 Crisis'. Journal of Common Market Studies, Vol. 60.
[45] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility.

rationalize the content and the number of documents requested. Third, report on the progress made in achieving the investment and reform commitments should occur twice a year in the framework of the Semester. Semester (European Parliament and Council of the EU 2021). The regulation also established that the RRF criteria related to the CSRs, creation of employment, growth margin, economic, social, and institutional resilience, and the implementation of the European Pillar of Social Rights, should require the top score of the evaluation. Finally, in order to understand why the Semester and the RRF were to become 'intrinsically linked' (European Commission 2020), it is useful to analyze the Annual Sustainable Growth Strategy 2021. It outlines that the Semester provides a prominent and encompassing context for the coordination of economic and employment policies to guide EU Member States through the challenges of the recovery transition (European Commission 2020). Furthermore, it provides significant informational advantages for the designation of priority areas when drawing up Recovery and Resilience Plans. To sum up, these are some of the reasons why rather than developing a whole new system to deal with economic coordination and Member States' progresses evaluation, the instruments already present within the European Semester were employed.

Temporary Semester adaptions to the RRF

When considering the changes of the European Semester due to its adaptations to the RRF, it is important to examine the Semester Autumn package. Based, as usual, on its Autumn 2020 Economic Forecast and published in November 2020, it maintained a certain degree of continuity with the past. For instance, the Multilateral surveillance between Member States, one of the key mechanisms of the Semester, has been continued after the announcement of the RRF. It is true that, more emphasis was put on bilateral dialogue between the Commission and individual Member States about the reforms and investments proposed in the framework of the RRF, however, there was an evident determination not to waste what had been built up as regards multilateral surveillance during the previous years. The Semester Autumn Package 2020 contained also a proposal for a Joint Employment Report (JER), showing that the groups hardest hit by the Covid-19 crisis are young people and women, to help Member States determine priority areas for reforms and investment to include in their RRPs.

On the other hand, for the purpose of aligning them with the RRF, some components of the Semester were transformed very quickly. For example, the Annual Sustainable Growth

Strategy 2021, was transformed into strategic guidance to the Member States for implementing the RRF. It was published in September 2020, two months earlier than scheduled, without the usual involvement of social players at national or EU levels. Another important adaptation concerns the Country Reports, which, in the absence of the Semester Winter Package, were not adopted by the European Commission in 2021. Instead, they were replaced as the Semester's main analytical reference documents, constituting the basis for the annual CSRs, by the Commission's assessments of the RRPs during summer 2021. After Member States submitted their reports between 15 October 2020 and 30 April 2021, the assessments were published in as Staff Working Documents, together with Commission proposals for Council implementing Decisions. As regards CSRs, for 2021, all previous CSRs remain valid and should guide the reforms and investments proposed by the Member States in their RRPs. The most remarkable change in the 2021 Semester cycle after the Covid-19 pandemic implications, is that no new CSR was issued to Member States presenting an RRP, except in the area of fiscal matters in the context of the Stability and Growth Pact. However, it is argued that spending priorities were closely linked to the last cycle of CSRs in several Member States and that the European Pillar of Social Rights Action Plan was published too late to impact the RRF objectives.

In conclusion, there is clear evidence that the Commission used strategically the RRF to push for long-term structural social reforms based on long-standing CSRs. However, Member States seem to have had an extensively way open to choose to what degree they want to invest in social reforms and investments.

The European Semester country-specific recommendations implementation in domestic policies

This section outlines an analysis of the European Semester country-specific recommendations addressed through the Recovery and Resilience Facility.

Among scholars, it is often argued that prior to the Covid-19 crisis, the European Semester was progressively decreasing in prominence and its country-specific recommendations implementation was decelerating. For instance, D'Erman and Verdun claim that the Semester failed in gaining enough awareness among Member States governments,

similarly to the issues related to the pre-crisis Lisbon framework[46]. Considering that to obtain the funds of the Recovery and Resilience Facility (RRF), Member States need to show how they intend to tackle the issues addressed in the country-specific recommendations of the European Semester, more socio-economic coordination in the implementation of such specific guidelines is expected. Since there are conditionalities for governments to obtain the RFF grants and loans, the leverage of the Commission on the national reform agenda is expected to grow as it will have to judge whether spending plans are effective and if future changes to reforms remain sufficiently in line with plans initially agreed upon. The so-called Frugal countries argued for more rigorous control on structural reforms, proposing an emergency brake procedure to be triggered by the Council if the Commission considered to be too indulgent. Even so, if the Commission takes an overly hard stance on ineffective plans and unmet targets, it might be blamed for obstructing the economic recovery and exacerbating associated social distress.

When assessing the effectiveness of the European Semester country-specific recommendations (CSRs) it is essential to analyze the interaction between CSRs and domestic policies. In fact, it is often very difficult to establish a direct causal link between a CSR and a change in national policy, since the former aim at addressing some of the major difficulties in the economies of the member states, many other domestic factors may contribute to these changes. As we have seen above, besides soft governance tools based on the Open Method of Coordination, the Semester includes harder governance tools as well, namely the Excessive Deficit Procedure (EDP) and the Macroeconomic Imbalance Procedure (MIP). Despite the possibility of using these instruments, generally the Commission ensures that the Semester is aligned with with Member States around the same priorities. However, we cannot simply assume that the Commission objectives implementation finds merely economic obstacles, instead, a lack of implementation can also be hindered by genuine and legitimate political disagreement. In general, since national political factors are usually dominant, it is difficult to establish a direct link between a CSR and a change of domestic policy.

[46] D'Erman, V., Schulz, D., Verdun, A. and Zagermann, D., (2022) 'The European Semester in the North and in the South: Domestic Politics and the Salience of EU-Induced Wage Reform in Different Growth Models'. Journal of Common Market Studies, Vol. 60.

David Bokhorst argues that when the Commission labels countries with 'limited progress' or 'some progress', this does not automatically indicate a lack of willingness to reform. According to his study, the Semester can be described as a mechanism that confronts national policy making with the European level of addressing policy issues. This mechanism increases the costs of non-action and makes it harder for national governments to ignore pressing issues due to the continuous confrontation of domestic actors with evidence and demanding a response in return. From a specific case in the research, it emerges that in Italy CSR were not a driving factor for the various reform attempts introduced in the context of the Semester, rather, the CSR represented a means of ensuring that the issue would remain on the national policy agenda. Consequently, by strengthening the networks of support behind the reform effort, the Semester facilitated the alignment of all actors around the same reform priorities. In Italy the influence of the Semester changes over time and it is linked to domestic political factors, for instance, having the role of the EU become increasingly suspect in the eyes of the public, the solidity of reputational pressure has faded away as well[47].

However, it is often argued that after the pandemic the situation has changed. Insofar, with the setup of the RRF, the role of the Commission is strengthened, and we may expect more heated debate around reform implementation. More specifically, should a government plan to change course on a reform due to national issues such as popular disagreement or elections, the Commission will have to decide whether the reform plan is still sufficiently in line with the initially agreed plans on which the decision to allocate funds was based. If this is the case, there is a risk that the EU may become part of national political games, where oppositional forces target the EU. This new position of strengthened leverage of the Commission in the political debate was given by the unique political context of the reform-minded governments in a worsening economic situation arising from the pandemic. Even when the member states themselves propose reform plans, the Commission and Council have to judge whether milestones are met and if the outcomes are in line with initial plans. The set-up of the RRF may also lead to a reinforced the executive power, since funds will only be disbursed to the recipient country, once the parliament adopts the reform, meaning the milestone is met. To sum up, with this post-pandemic transformation of the Semester, it is

[47] Bokhorst, D., The influence of the European semester : case study analysis and lessons for its post-pandemic transformation, Journal of common market studies, 2022, Vol. 60.

generally expected that the provision of funds will allow for a sustained economic recovery through public investment and more effective implementation of the recommended reforms.

The social dimension of the EU recovery strategy

As outlined above, the two pillars of the EU's response to covid19 health, social and economic crisis are SURE and NextGenerationEU (NGEU). The former is aimed at supporting incomes of employees and self-employed workers by financing national short-time working schemes[48]. It is a 100 billion euro financial assistance instrument that enables the Commission to borrow on the financial markets funds which Member States can obtain in the form of loans at very low interest rates. In the past there have been, without success, attempts to establish a European unemployment benefit scheme. Today this instrument represents a crucial contribution to rise resources to mitigate the pandemic's social repercussions. On the other hand, NGEU consists in unprecedented borrowing (€750 billion euros) by the Commission on the financial markets. However, differently from SURE, NGEU allows Member States' governments to obtain the funds not only to through low-cost loans (360 billion euros), but also in the form of grants (390 billion euros). In order to access the funds, each national government has to submit recovery and resilience plans. The latter shall describe how governments intend to implement reforms and how to exactly invest assets, taking into consideration the European Pillar of Social Rights and implementing "all or an important subset of the 2019 and 2020 country-specific recommendations" (European Parliament and Council of the EU 2021)[45], many of which addressing social protection and social assistance. For this reason, the instruments adopted in response to the pandemic crisis are said to have a more solidaristic connotation than those implemented during the Euro crisis mostly aimed at encouraging spending reviews and deregulation policies.

As we have seen, in response to the covid19 pandemic, EU economic governance was organized in a combination of different instruments used to further European social policy. The interconnection of different governance architectures presents the opportunities offered by the combination of each one of them, for instance enhancing the role of social goals in both the set-up and the execution of the RRF. Therefore, it is relevant to distinguish between three different types of instruments aimed at addressing social policies: rule-based, coordination-based and monetary-based. The former includes for instance directives that may set minimum

[48] Short-time work schemes are defined in a 2020 European Commission regulation proposal as 'public programmes that allow firms experiencing economic difficulties to temporarily reduce the hours worked while providing their employees with income support from the State for the hours not worked'. European Observatory of Working Life.

standards, in line with an idea of European integration, adopted either via the ordinary legislative process of the Community Method, or at times via negotiations with the European social partners. Secondly, Coordination-based instruments refer to soft guiding of national social policies, an example is the functioning of the Open Method of Coordination setting EU level policy objectives. Under this procedure, Member States should submit a national report in which they describe national reforms that contribute to meeting the EU-level goals, which is then analyzed by the Commission, in order to make specific evaluations of each country and to draft country-specific recommendations. The latter are very different from directives since they are not binding, instead they offer suggestions, based upon which national actors have ample room to develop their own policies, within the targets set at the EU level. The third instrument is monetary-based guidance, such as the European Social Fund, meant as the use of EU funds to influence social outcomes. Especially after the Covid-19 pandemic, monetary-based instruments have started to play a much bigger role, largely because of the implementation of the RRF and the SURE. Finally, it is essential to note that the instruments mentioned above usually do not operate in isolation, rather they form part of a broader governance architecture, a strategic and long-term institutional arrangement.

The interconnection of the different instruments mentioned above offers many opportunities by combining the strengths of each of the separate governance architectures. As regards EU responses to social and economic consequences of the covid19 pandemic, examples of governance architectures impacting European social policy surely are the European Semester, the Pillar of Social Rights and the Recovery and Resilience Facility. The Semester in particular represents an example of a governance architecture with a range of different instruments since it aligns the annual coordination of economic, social and employment policies, it can be considered as hybrid governance mechanism. More in particular, it combines relatively harder, as to say more rule- based, economic and financial guidelines via the Stability and Growth Pact and the Macroeconomic Imbalances Procedure, and softer, more coordination-based, employment and social policy coordination. Therefore, it is argued that this combination of harder and softer instruments has led to imbalances in the outcomes of the Semester, more precisely, at least in the first years of its implementation, economic and financial targets seemed to overrule employment and social policy measures. Furthermore, the choice of the instrument influences the interactions between EU-level and national-level actors when creating European social policies. In the case of low centralization, national governments, parliaments and social partners will enjoy a higher amount of influence on the agenda-setting,

on reforms design and implementation. On the other hand, more centralization could imply less national level influence. However, the Semester involves the dynamics of the interactions between national actors and EU actors, therefore it is seen as a multilevel governance instrument. If so, state authorities have the possibility to influence the drafting of the country-specific recommendationss and they will probably seek to guarantee that their country obtain recommendations that fit national challenges, priorities, and reform capacity. Conversely, the EPSR lacks any enforceability: despite its rights-based structure, EU citizens cannot base direct claims on it, therefore it requires policymaking at the national level in order to achieve results. Concerning the RRF, the conditionality of implementing the reforms suggested by the country-specific recommendationss adopted in the 2019 and 2020 European Semester cycles, means that coordination-based elements play a significant role in the monetary-based steering of the RRF. Furthermore, it should be noted that the European Pillar of Social Rights has been integrated both in the Semester and in the RRF. In fact, the EPSR has helped to further socialize the Semester, while the latter assists in monitoring the social performance of Member States applying for the RRF funds, as targeted by the Pillar. The implementation of the Semester as a goal setting, monitoring and evaluation instrument sets up a balance between establishing boundaries while acknowledging national autonomy. Accordingly, on one hand the enforcement of the Semester and its country-specific recommendations guiding the nature of national reforms, provide constraints to Member States. On the other hand, the Semester's softer mechanisms leave considerable leeway to national governments to select and implement the national policies they prefer.

To conclude, while it is true that interlinking governance architectures may result in excessively complex EU governance that fails to achieve its goals, it is also true that the interconnection of different governance architectures may offer many opportunities by combining the strengths of each one of them. For instance, it is important to notice the successful combinations of constraints applied to Member States imposing conditionalities, offering guidance in monitoring and evaluation activities while giving enough leeway for national governments to adjust social policies to local challenges and preferences.

The social implications of the EU recovery strategy

Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility introduces links between

financial assistance to Member States and the implementation of green transition and digital transformation policies, expressed in terms of minimum investment percentages and "do no significant harm" applying to EU environmental objectives. Conversely, such link between financial assistance and the pursuit of social and labor policies seems to be missing. The only explicit incentive for the latter is represented by the request that national governments consider the EPSR principles, and by the demand to implement the 2019 and 2020 country-specific recommendations, including the social ones, in order to receive the funds.

Early changes in country-specific recommendations

In order to obtain the financial assistance provided by the RRF, Member States had to submit national recovery and resilience plans (RPPs), in which they described in detail expected reforms and investments, 37% of which must be dedicated to green transition and 20% to digital transformation. The rest of the resources could be spent by national governments in multiple directions, including employment and social policies. Regarding these areas, the RPPs should take into consideration the European Pillar of Social Rights and implement "all or an important subset of the 2019 and 2020 country-specific recommendations (CSRs)"[45]. While pre-covid 2019 CSRs still contained requests to implement structural reforms, 2020 CSRs were adopted during the Covid-19 pandemic and have therefore a more social orientation. Thus 2019 and 2020 CSRs can be seen as a rather soft ex ante conditionality to be fulfilled by Member States in order to obtain the allocated funds, anyhow softer than that which characterized the bailout programmes in the aftermath of the Eurocrisis. The 2020 European Semester CSRs were adopted during one of the worst periods of the pandemic, hence not only they fostered the issuing of short-time working schemes across the Member States in order to give an immediate aid to businesses in economic difficulty, but also they stressed the need to make social safety nets more inclusive to improve lives of most vulnerable citizens[49]. Finally, another important European employment and social policy initiative is the commitment to guarantee minimum wages launched by the Commission on 28 October 2020, which was discussed above.

[49] Rainone S., An Overview of the 2020-2021 Country-Specific Recommendations (CSRs) in the Social Field - The Impact of Covid-19, ETUI Background Analysis, n. 1, 2020.

It is often argued that considering the EU response to the pandemic, there have been significant adjustment to social policies due to a more EU relaxed approach towards the budgetary aspect. There is an evident difference between previous Semester cycles and the one issued in 2020. In fact, the relaxed approach of 2020 European Semester towards the budgetary aspects in response to the pandemic, is also reflected in the social recommendations. On 20 May 2020, in the context of the tenth cycle of the European Semester system, the third to be adopted since the proclamation of the EPSR, and the first of the Von der Leyen Commission, the latter presented its proposals for new country-specific recommendations for 2020-2022. Surely the proposals were influenced by the economic and social implications of the covid19 pandemic. More specifically, concerning the social aspects, the Commission committed to enhance European social and labor policy by implementing the EPSR, focusing in particular on fair working conditions, the provision of skills and the promotion of inclusiveness. These three social aspects were considered as crucial ingredients for improving living and working standards across Europe. In fact, due to the pandemic disruptive socio-economic consequences, the focus of European governance unexpectedly departed from social policy reforms pursuing financial sustainability and macroeconomic stability, such as the revision of wages, boosting inclusivity of young people, women and the elderly in the labor market, and the adjustment of pension systems. Conversely, after the pandemic, social policies seemed to be overall more focused on more budgetary risky policy areas which are usually considered not particularly compatible with the macroeconomic objectives of the EU. For instance, more attention was given to adequate social protection systems and income support mechanisms, in order to help EU citizens to face the economic consequences of the pandemic. However, 2020 CSRs deviations from the previous ones seemed to be just temporary, in fact, together with some aimed at long-term recovery strategy, the 2020 recommendations have targeted those policy areas that were crucial to resolving the immediate effects of the crisis. However, it is also true that since a significant part of the funds of the RRF was made available through loans, the EU seemed to be, at least in the pandemic early days, much more tolerant than in the past towards the possibility of Member States increasing their public debt if necessary to support their economy. Indeed, the relaxed approach towards the budgetary aspects is also reflected in the social recommendations, hence they widely diverge from those of the previous cycles. In fact, through the recovery strategy, national governments had a great deal of space to make public investments and implement reforms in the social dimension, then they previously had.

In matters of social and labor market policies, for instance, solidaristic, redistributive and protective measures, the RRF Regulation gave only general orientation to Member States based on the directions of the European Pillar of Social Rights. However, according to EU declarations on the pandemic recovery strategy, the EPSR plays an essential role in the social sphere of post-covid reconstruction. This is confirmed by the 7-8 May 2021 Porto Social Summit where Member States leaders, EU institutions, social partners and civil society representatives met to reinforce their commitment to the implementation of the Pillar. In the context of the conference organized by the Portuguese presidency of the Council of the European Union, discussion on how to set the European social policy agenda for the next decade revolved around three main areas: work and employment, skills and innovation, welfare state and social protection. The subscribing institutions and organizations co-signed the Porto Social Commitment which states that: "As established by the EU Strategic Agenda 2019-2024, we are determined to continue deepening the implementation of the European Pillar of Social Rights at EU and national level, with due regard for respective competences and the principles of subsidiarity and proportionality. The Action Plan presented by the Commission on 4 March 2021 provides useful guidance for the implementation of the European Pillar of Social Rights, including in the areas of employment, skills, health, and social protection."[50] The Action Plan presented by the Commission in March 2021 proposes a series of initiatives and sets three main goals to be attained by 2030. These are namely an employment rate of at least 78% in the European Union, at least 60% of adults attending training courses every year, reducing the number of people at risk of social exclusion or poverty by at least 15 million people, including 5 million children[51].

It is essential to evaluate whether the mere general orientation of the EPSR for the implementation of national level social and labor policies, lacking fiscal safeguards and surveillance besides compliance to the Semester CSRs, is sufficient to stimulate the adoption of measures aimed at supporting working conditions and combating social exclusion. Indeed, from recent research on the social implications of the EU recovery strategy, it emerged that for a number of Member States the Commission raised concerns about the fiscal sustainability of national social and labor policies. More specifically, it was noted that, if certain national employment or welfare measures seemed to be fiscally irresponsible or oriented towards a labor

[50] European Council, Press release. 8 May 2021, The Porto declaration.
[51] European Commission. 4 March 2021, The European Pillar of Social Rights Action Plan.

market-centered growth strategy, then they should be corrected. According to the analysis of the Commission Staff Working Document, for Luxemburg, the Commission highlighted that the unit labor cost, among others, may lead to macroeconomic imbalances. For Italy, on the contrary, the Commission did not express its views with reference to specific interventions, rather it underlined the importance of creating a sufficiently flexible labor market. These are only two examples, however, in most cases, the Commission's observations involve the level of public expenditure, which is expected to be reduced through interventions on pensions, long-term care or other aspects of the social welfare system. Overall, it seems that, despite the general escape clause of the Stability and Growth Pact, NGEU financial assistance and the ambitious social and labor policy goals established with the Porto Declaration, national Recovery and Resilience Plans do not largely deviate from the previous EU socio-economic model depending on budget constraints and fiscal rules compliance. From the analysis of the RRPs it appears that policy solutions in the form of flexicurity, focused on strengthening active labor market policies are more present than those establishing adequate social safety nets[52].

The implications of the suspension of fiscal rules

Since one of the direct consequences of the COVID-19 crisis has been the inevitable significant increase in national public debts, the EU has been much more tolerant with Member States concerning budgetary constraints than in the past. As it was mentioned in the section concerning the outbreak of the pandemic and early social and economic implications, the activation of the general escape clause of the Stability and Growth Pact had a significant impact in the countries implementation of social policies. National governments were allowed to temporarily depart from the EU budgetary rules and objectives, and, as a consequence, to invest more in social and labor policies. Another important measure to redress the pandemic effects in its early days, was a relaxation of state aid rules to enable national governments to support business in difficulty with public funds. Member States were granted more flexible rules allowing them to adopt all the necessary measures to overcome the covid19 socio-economic crisis. As it was mentioned above, this has highly affected 2020 CSRs and changed their social policy content. However, more flexible fiscal rules have been conceived as a temporary measure, and it is yet to be assessed if its effects on social policies implementation will last longer then the exceptional budget relaxation.

[52] Rainone, S. From deregulatory pressure to laissez faire: the (moderate) social implications of the EU recovery strategy. Italian Labour Law E-Journal, 15 (2022).

The general escape clause of the Stability and Growth Pact allows Member States to temporarily suspend the enforcement of the fiscal rules in exceptional times. It was applied by the Commission since the beginning of the pandemic in 2020 and national governments could pursue expansionary fiscal policy until the end of exceptional times set to 2023. However, on 23 May 2022 announced that it will postpone the renewed enforcement of its fiscal rules by a year, to 2024 as a reaction to the economic consequences of the Russian invasion of Ukraine. Due to consequent economic instability and the considerably rise in energy prices, the Commission decided to reconsider and allow governments to keep supporting the economy for longer. The aim of the postponement is to help national governments supporting those business and sectors most affected by the increase in energy prices and at the same time, to increase public investment needed for the green transition. On 23 May 2022, at a press conference, Economy Commissioner Paolo Gentiloni said that EU economy is experiencing for the second time in in two years, an external shock, prolonging the period of severe economic downturn initially caused by the pandemic. For this reason, they concluded in favor of extending the general escape clause of the Stability and Growth Pact through 2023. Moreover, it is important to notice that the Economy Commissioner highlighted that "Ever since the first weeks of the pandemic more than two years ago, the EU and national governments have delivered strong and coherent policy support to our economies, helping to sustain a swift recovery. Today, our common priorities are investment and reform. This is reflected in the recommendations presented today, with their clear focus on the implementation of national recovery and resilience plans and on the energy transition. Fiscal policies should continue to transition from the universal support provided during the pandemic to more targeted measures. As we navigate the new period of turbulence caused by Russia's invasion of Ukraine, governments must also have the flexibility to adapt their policies to unpredictable developments. The extension of the general escape clause to 2023 recognizes the high uncertainty and strong downside risks in a situation where the state of the European economy has not normalized."[53] Nonetheless, the Commission stated that large stimulus packages were not justified in the present situation and called for prudent fiscal policy, recommending limiting current expenditure. EU Commission's Executive Vice-President Valdis Dombrovskis said that, despite not opening any new "Excessive Deficit Procedures" against any member states at this point, when evaluating

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[53] European Commission, Press release. European Semester Spring Package: Sustaining a green and sustainable recovery in the face of increased uncertainty Brussels, 23 May 2022.

whether to open excessive deficit procedures in autumn and next spring, one of the factors the Commission will be evaluating is compliance with current recommendations.

There is little doubt that the decision to extend the general escape clause for another year, alleviates some of the pressure regarding the politically contentious debate on reforming fiscal rules. More precisely, the reform process was relaunched in autumn 2021 aiming at having new rules in place for the fiscal year 2023. Member States opinions on reform details are largely divergent. For instance, France and Italy are in favor of more fiscal leeway for member states to invest, while so-called frugal countries such as Austria, Sweden, and Latvia, oppose any loosening of the fiscal rules. With the extension of the suspension of fiscal rules for one more year, Member States will have more time to find a compromise on the reform to be implemented[54]. However, what is certain is that flexibility in fiscal rules is a temporary measure. It is yet to be assessed if member states will continue pursuing expensive social and labor policies sustaining the most vulnerable citizens and businesses affected in the first place by the pandemic crisis and secondly by the increase in energy costs.

To conclude, the temporary nature of the suspension of fiscal rules is reflected as well in the provisional character of the allocation of funds intended to redress social and economic disruption caused by the pandemic. Financial assistance provided by SURE and NGEU is constrained by the limited scope of the funds. In fact, the RRF will subsidize national reforms and investment only until 31 December 2026. This implies that its resources cannot finance recurring national expenditure, but only relatively short-term investments. Hence, in consideration of these factors, it is likely that social investments will take the form of ad hoc investments such as modernization of employment and social assistance services rather than structural forms of assistance like unemployment benefits. To explain this assumption, Regulation (EU) 2021/241, of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, Recital 20, outlines that “the Facility should support projects that respect the principle of additionality of Union funding. The Facility should not, unless in duly justified cases, be a substitute for recurring national expenditures”[45].

[54] Euractiv. EU fiscal rules to be suspended for another year. May 23, 2022.
Euronews EU Commission to propose keeping fiscal rules suspended in 2023. May 19, 2022.

Current developments in country-specific recommendations

For the purpose of this study, it is essential to focus on the country-specific recommendations that address the labor market, labor protection, social security and social assistance issues, aimed at economic and social recovery from the pandemic. In light of the previous considerations, it is important to note that the EPSR has no binding force, therefore its influence in orienting EU and national policymaking is relatively weak. In fact, it is often argued that the implementation of the Pillar is not sufficient to counterbalance the common tendency of the EU executive to address social and labor policies as if they were means to pursue economic priorities such as growth and fiscal and macroeconomic stability. This tendency is demonstrated by the 2022 CSRs general focus on the necessity to reform the functioning of pensions systems in order to reduce their burden on Member States' public finances. Consequently, it appears that national governments have been asked to start "pursuing a fiscal policy aimed at achieving prudent medium-term fiscal positions" (European Commission)[55]. As it was pointed out in previous sections, 2020 CSRs, conceived during the first period of the pandemic, acquired a pronounced social dimension, to face the consequences of the disease. On the contrary, in 2021, for the first time the Commission did not propose country-specific recommendations since the EU executive and national leaders were negotiating national recovery and resilience plans that would then allow Member States to access the funds of the RRF allocated to them. In fact, the ordinary course of the European Semester had to be adapted to the processes of the EU recovery strategy. Hence, the 2022 European Semester cycle has been the first one fully implemented after the adoption of the NGEU. The integration of national recovery and resilience plans in the Semester implied that the structure and the priorities of the latter heavily changed: it became more a monitoring instrument for the proper enforcement of the RRF based upon the previously agreed provisions contained in the national plans. Accordingly, CSRs seem to have changed their function since their goal is no longer to drive reforms and investments for the following year on the basis of an annual national reforms plan, on the contrary, the aim now is to point out potential delays in the execution of RRPs and to detect new challenges that have not been adequately addressed in them.

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[55] European Commission, Communication on Annual Sustainable Growth Survey 2022, COM(2021) 740 final, 25 November 2021).

While 2020 CSRs were centered on the resilience of healthcare and social support systems reflecting the emergence of the pandemic crisis, 2022 CSRs focus mainly on the issues of the energy crisis and the decarbonization process, rising a question on the role of social public investment and labor policies in this new context. In the past, this question concerned the role of social reforms in relation to economic objectives. As it was previously outlined, this dichotomy was evident especially in the EU response to the sovereign debt crisis. In the context of Eurocrisis, in order to redress excessive public debts and deficits, the CSRs requested national governments to implement spending cuts, many of which in the social field, together with reforms aiming at flexibilization of the labor market, that in some cases resulted in pressure to reduce wages. Today instead, there may be a potential tension not only with respect to fiscal and macroeconomic priorities but also in relation to the energy crisis and the green transition. Actually, in the Annual Sustainable Growth Survey for 2022, the Commission confirmed its support for a "competitive sustainability of the EU growth model based on: environmental sustainability, productivity, macroeconomic stability and fairness, covering social and labor standards"[55]. In fact, from the structure of the RRF and from analysis of many National RRPs, it seems that the 2022 CSRs, lack a proper link between the energy crisis, the green transition and the social challenges. Moreover, 2022 recommendations are silent on the possibility of increasing wages in view of the high cost of living due to inflation, therefore not addressing this current issue that EU citizens are facing. The absence of guidance in the recommendations on how social and labor policies can exercise a buffer function with respect to the energy issue, represents a danger of a subalternity between green transition policies and the social dimension.

However, taking into consideration the 2020 country-specific recommendations and the Union's recovery strategy, this apparent tension between fiscal policy and national labor and social policies, seem to have adjusted in favor of the latter, while 2022 CSRs, although still largely centered on social policies appear more cautious on this matter. Accordingly, among the recommendations that emerge most often in the 2022 European Semester cycle, there is the need to strengthen the national social safety net. More specifically, in continuity with what had already been proposed in 2020, when the focus on social policies was even higher, the EU executive required Member States to improve social assistance by enhancing the adequacy and coverage of their social protection systems. Anyhow, 2022 recommendations were not limited to the sphere of social welfare, instead a new category of social CSRs has appeared, for some Member States were asked to improve inclusivity in education systems, while others were

asked to decrease the most flexible and precarious forms of employment. However, differently from 2020 CSRs, the Commission underlined once again the importance of macroeconomic and fiscal stability, prescribing, in some cases, to rationalize public spending on pension and long-term care systems. For these reasons, considering the peculiarities of 2022 CSRs it is reasonable to expect a return to more active forms of spending review in the context of the European Semester[56].

To sum up, from the analysis it emerges that, despite the extension of the Stability and Growth Pact escape clause, similarly to 2020 CSRs, 2022 CSRs are still highly focused on the social dimension especially on social assistance, although to a lesser extent than 2020 ones. However, differently from the first period of the pandemic, in 2022 the EU executive seem to have shifted the focus again towards fiscal stability, as national governments were asked to limit public spending and social investment, especially regarding pension systems and long-term care. Moreover, it is essential to note that the war in Ukraine, additionally to the pandemic consequences, exacerbated the already in place energy crisis with disruptive consequences in the economic and consequently social and labor sphere. Considering these two external shocks in the European society framework, the spillover effects of the NGEU recovery strategy, the Stability and Growth Pact escape clause and the financial assistance of the RRF have yet to fully emerge.

The case of Italy

On 6 July 2021, based on the Commission's proposal of 22 June 2021, the Council implemented the Decision on the approval of the Recovery and Resilience Plan for Italy, with an overall highly positive assessment. In fact, according to the Commission, "taking into consideration Italy's specific challenges and financial allocation, the Plan proves to be a comprehensive and adequately balanced response to the economic and social situation"[57]. More specifically, reforms and investments outlined in the RRP are expected to contribute to an increase in the effectiveness of active labor market and social policies, education outcomes and

[56] Rainone S., The 2022 Country-Specific Recommendations (CSRs) in the social field: quo vadis, EU recovery?, ETUI Report, forthcoming.

[57] Council of the European Union, Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Italy. Brussels, 6 July 2021.

skills development. In. addition, the Italian RRP includes reforms and investments aimed at reducing undeclared work and increasing women' participation in the labor market, in particular through the provision of childcare facilities. Furthermore, significant measures included in the RRP are meant to strengthen digital skills, to increase the efficiency of public administration, in particular improving the management of public employment focusing on reforming the selection of public employees and strengthen administrative capacity. Finally, the Plan involves measures to improve opportunities in the labor market for young people and the most vulnerable groups of society. Considering the Italian context of protracted weak productivity and high unemployment, the RRP is expected to contribute to adjust these imbalances by redressing the abovementioned challenges, by improving Italy's growth potential, job creation, and economic and social resilience, with the aid of the European Pillar of Social Rights. In fact, the RRP measures take into consideration the implementation of the Pillar's objectives, particularly the principles of education, training and lifelong learning, gender equality, equal opportunities, active support for employment, child care and support for children, work–life balance, social protection, unemployment benefits, health care, inclusion of people with disabilities, housing and assistance for the homeless, access to essential services, and long- term care.

More specifically, it is useful to sum up some of the most significant reforms, investments and milestones and targets, aimed at spending efficiently the funds allocated for the social and labor sphere in Italy. Concerning labor policy, the first milestone for active labor market policies and training have been achieved by 31 December 2021, through the introduction of the national programme Garanzia di occupabilità dei lavoratori, Workers Employability Guarantee, and Piano Nazionale Nuove Competenze, the National Plan on New Skills. On the other hand, as for undeclared work, milestones and targets seem to be extremely vague, with reference to an improvement of labor inspections and a reduction of undeclared work. However, no resources have been directly allocated to it. Meanwhile, on 30 September 2021, Female Entrepreneurship Fund was adopted by Decree of the Minister of Economic Development. It aims to the creation of a certain number of start-ups managed by women and benefiting from the resources made available by the Fund. Likewise, the Ministry of Youth Policies was provided funds for a Universal Community Service with the goal of achieving by 31 December 2023, a specific number of attendees involved in certified training in job programmes related to social assistance and care services provided on a voluntary basis. As regards the mission for inclusion and cohesion, and its components of social infrastructure,

families, community, and non-profit, the Ministry of Labour and Social Policies, provided an intervention system to help dependent elderly people, trying to avoid situations in which dependent elderly people are forced into homes. Similarly, the Housing First investment is planned within the framework of the Urban Integrated Plan, amounting to €200 million its goal is to tear down illegal settlements and fighting workers' exploitation in agriculture. The Milestone, has been achieved through the Ministry of Labour and Social Policies Decree adopted on 29 March 2022, mapping illegal settlements, with the target, set for 30 June 2025, to a full dismantling and the adoption of requalification plans for illegal settlers. Finally, several investments have been assigned to the Ministry for Southern Italy and Territorial Cohesion. The first, the National Strategy for Inner Areas is divided into two sub-investments: one aimed at supporting local health authorities by improving social community services and infrastructure, the other is aimed at strengthening local health care facilities. The second investment assigned to Ministry for Southern Italy and Territorial Cohesion concerns the repurposing of goods seized from the Mafia, while the third, finances socio-educational actions in order to fight educational poverty in the South, supporting the non-profit sector, with a target set for set for 30 June 2026. Moreover, the Cohesion Policy Partnership Agreement provides for further allocation of funds to Italy in the period of 2021-2027 to promote economic, social, and territorial cohesion, with a particular focus on the southern regions. The focus on these regions is essential in order to reduce the huge disparities among Italian regions in the areas of business activity, opportunities of employment, education and access to services and health care. For Italy to be eligible for payment, milestones and targets shall be completed no later than 31 August 2026. To conclude, looking at these resolutions it seems that the resources available are effectively well distributed.

In light of the abovementioned elements, the Commission is of the opinion that the measures adopted so far, and those included in the Italian RRP, adequately implement the social country-specific recommendationss addressed in the 2019 and 2020 European Semester cycles. However, after a deeper analysis this may not be the case. In fact, concerning 2019 country-specific recommendationss, the Commission was highly critical of the Italian approach: it made clear that Italy needed to implement reforms to reduce the share of old-age pensions in public spending, and instead create space for other social and growth-enhancing spending. Nevertheless, Italian 2020 budget law confirmed the pension measures implemented in 2019, hence Italy made no progress in this area which despite this, was not fully addressed in the RRP. Another area in which limited progress was observed is the effort to tackle

undeclared work. Although it was established that more labor inspectors were needed, no investment was explicitly linked to the fight against undeclared work, in the context of the national RRP, and the solutions adopted do not seem adequate to effectively address the issue. Also, with respect to national support of women's participation in the labor market we can observe limited progress reported in the 2019 Commission assessment concluding that the government introduced financial support to families to facilitate access to childcare but lacked any plan to increase the supply of childcare. Hence, it appears that many of the structural challenges identified in Italian labor market in the period of 2019 – 2020 have not yet been fully addressed. However, despite the persisting imbalances, the RRP provides measures to redress the existing challenges, moving steps towards direction required by the Commission, among others by increasing participation rates in the labor market and extending the social safety net.

Conclusions

To conclude, since 2011 the European Semester has become the instrument coordinating economic and social policies among Member States under the supervision of the EU institutions. From the first section of this study, it emerges that recommendations issued by the Commission are not only meant to avoid unsustainable budgetary policies, but also they mean to tackle other main social and employment issues. Therefore, it is often claimed that the establishment of the Semester has helped the development of a European Social model. This is particularly true when considering the role of the European Pillar of Social Rights. The development of the latter in 2017 is considered to be a response among many others, to the rising skepticism of European citizens towards EU institutions resulting from the austerity measures adopted in response to the Euro crisis. While tackling the EU legitimacy crisis, these social and labor policies guidelines, starting from a right-based approach, offered Member States recommendations on how to address challenges such as fair access to the labor market, the right of equal opportunities, fair working conditions, gender equality, secure and adaptable employment, in accordance with the principles of subsidiarity and proportionality. Accordingly, as it was discussed in the second chapter, starting from 2015, the Junker Commission seemed to be highly involved in further socialization of EU policy content and governance, aiming not only at readdressing the consequences of economic crisis but also at regaining trust of EU citizens.

Analyzing the European social policies before the pandemic, it is essential to consider the 2019 context. It was the year preceding the Covid19 pandemic, the year of the European Parliament elections, the appointment of the Von der Leyen European Commission, the year of the European Green Deal, the digital and ecological transition. Hence, Covid19 outbreak interfered with the 2019 new growth strategy consisting in several planned initiatives regarding not only climate change and digital transition, but also EU social and employment policy, relying on European Semester to guide the Commission's work.

The European response to the outbreak of the Covid19 pandemic was much prompter than during the Eurocrisis, this time it was possible to rely on more effective policy tools and on higher consensus for more coordination at EU level. In fact, Member State governments took measures to face the crisis that were previously unthinkable. Among them there is state support to businesses and to the self-employed, aiming to keep people in employment, together

with loans and credit guarantees and relief from various tax obligations, especially those related to employment. As a matter of facts, the 2020 European Semester country-specific recommendations were adopted during one of the worst periods of the pandemic, hence not only they fostered the issuing of short-time working schemes across the Member States in order to give an immediate aid to businesses in economic difficulty, but also they stressed the need to make social safety nets more inclusive to improve lives of most vulnerable citizens. In light of this, it is argued that early fiscal decisions aiming at supporting businesses in recovering from the economic consequences of lockdown risked helping businesses with no prospects, taking into consideration that the need was for speed rather than time-consuming precision in targeting.

With its integration into the EU pandemic recovery strategy, the European Semester became a mechanism coordinating and monitoring Member States progresses within the Recovery and Resilience Facility. While it is true that interlinking governance architectures may result in excessively complex EU governance that fails to achieve its goals, it is also true that the interconnection of different governance architectures may offer many opportunities by combining the strengths of each one of them. Accordingly, the implementation of the Semester as a goal setting, monitoring and evaluation instrument sets up a balance between establishing European boundaries while acknowledging national autonomy. After all, from the research it emerged that the Commission used strategically the RRF to push for long-term structural social reforms based on long-standing CSRs. However, Member States still seem to have had an extensively way open to choose to what degree they want to invest in social reforms and investments.

Since one of the direct consequences of the COVID-19 crisis has been the inevitable significant increase in national public debts, the EU has been much more tolerant with Member States concerning budgetary constraints than in the past. Anyhow, despite the general escape clause of the Stability and Growth Pact, NGEU financial assistance and the ambitious social and labor policy goals established with the Porto Declaration, national Recovery and Resilience Plans do not largely deviate from the previous EU socio-economic model depending on budget constraints and fiscal rules compliance.

Regarding 2020 CSRs, the deviations from the previous ones seemed to be just temporary, in fact, together with some aimed at long-term recovery strategy, the 2020 recommendations have targeted those policy areas that were crucial to resolving the immediate effects of the crisis. On the other hand, 2022 CSRs focus mainly on the issues of the energy crisis and the decarbonization process, rising a question on the role of social public investment and labor policies in this new context. In fact, 2022 CSRs, lack a proper link between the energy crisis, the green transition and the social challenges. The absence of guidance in the recommendations on how social and labor policies can exercise a buffer function with respect to the energy crisis exacerbated by the War in Ukraine, represents a danger of a subalternity between EU decarbonization goals and the social dimension. However, differently from 2020 CSRs, in 2022 the Commission underlined once again the importance of macroeconomic and fiscal stability, prescribing, in some cases, to rationalize public spending on pension and long-term care systems.

Finally, from the analysis of the Italian case, it appears that some structural challenges identified in Italian labor market in the period of 2019 – 2020 have not yet been fully addressed. However, despite the persisting imbalances, the RRP provides measures to redress the existing challenges, moving steps towards direction required by the Commission, among others by increasing participation rates in the labor market and extending the social safety net.

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