Social developments in the European Union 2012

Fourteenth annual report

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Acknowlegdements

Social developments in the European Union is the product of a collective effort. In addition to the authors of the various contributions (see list at end of volume), we are particularly grateful to the researchers of the European Trade Union Institute (ETUI) for their careful scrutiny of the text and judicious comments. We naturally take full responsibility for the views expressed in this volume.

We should also like to thank Maria Jepsen and Philippe Pochet of the European Trade Union Institute (ETUI).

On the organisational side, we are greatly indebted to Valérie Cotulelli for formatting the text.

We should like to dedicate this edition of *Social developments in the European Union 2012* to Janet Altman, our translator for nearly 20 years, who passed away recently aged 57. We always appreciated her accuracy, the quality of her work and her faithful support in translating every volume of the 'Social developments' series into English, from the very outset. At the same time, Rachel Cowler and her team have been able to ensure a smooth transition as regards translation of this volume from French, as well as English-language editing.

Brussels, 2013

Print: ETUI Printshop, Brussels

D/2013/10.574/12
ISBN: 978-2-87452-291-8

Report commissioned from the European Social Observatory, asbl
by the European Trade Union Institute and the European Trade Union Confederation.

The ETUI is financially supported by the European Union.
The European Union is not responsible for any use made of the information contained in this publication.

Table of contents

Under the radar? EU social policy in times of austerity

Bart Vanhercke

Introduction[1]

It would be a considerable understatement to say that the European Union's stance on social policy is not living up to expectations, especially in view of the social problems the Member States – or more accurately their populations – are currently facing. At face value, Europe 2020's poverty target seems a poor consolation when the most recent data show that 24.2% of the European population is at risk of poverty and social exclusion and that this number is likely to rise further in the future[2]. During 2012, unemployment rose in 16 Member States and youth unemployment in the European Union has reached the dizzying rate of 22.8% (European Commission, 2013) (see figure 1). The predictions of future social inequalities for countries that have signed a Memorandum of Understanding are unsettling[3] (Greer, 2013) while in their recent book David Stuckler and Sanjay Basu (2013) conclude that in Greece, austerity measures in health care are leading to a public-health disaster to the extent that 'austerity kills'.

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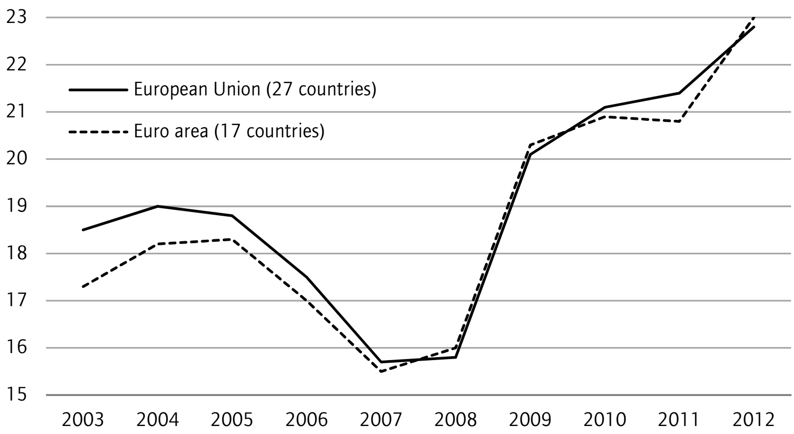
1. The sections of this chapter relating to the Europe 2020 strategy draw heavily on extensive joint research with Jonathan Zeitlin, who co-authored section 3. The author is indebted to Shannon Dinan, Ivan Dumka and Nadine Langerak for their research assistance. Their critical feedback, as well as that from David Natali, André Simon and Annemie Pernot, helped to sharpen the arguments. All interpretations and remaining mistakes are mine only.
2. The data are from 2011 (European Commission, 2012a).
3. The conclusions from a broad review of the literature on structural adjustment policies suggest that the Economic Adjustment Programmes (EAPs) will be badly implemented; be neutral or bad for growth; be bad for equity and the poor; have unpredictable policy consequences; and will allow incumbent elites to preserve their positions (Geer, 2013).

Figure 1 **Youth unemployment rates (EU27 and EA17)**



Source: European Commission (2013).

At a time when strong solidarity mechanisms seem more warranted than ever, Mario Draghi, president of the European Central Bank, raised serious doubts about the traditional social contract (Wall Street Journal, 2012)[4]. Referring to the EU's responses to the crisis, some are critical of the paradigms underlying the 'social dimension of Europe 2020' (Daly, 2012; EAPN, 2012). Others take this criticism even further and refer to the 'failure of Social Europe as public policy' (Crespy, 2012) or even claim that the European social model is being deconstructed through mismatched ideology (Barbier, 2012) and conclude that there in an 'attack on European social policy' (Menz, 2012). In part these comments reflect the finding that current social policy initiatives have often fallen victim to the financial crisis and are overshadowed by economic integration and budgetary constraints. Or, as some have put it: Europe 2020 has been 'kidnapped' by the Directorate General for Economic and Financial Affairs (DG ECFIN) and the Economic and Financial Affairs (ECOFIN) Council from its conception (Pochet, 2010).

4. Mario Draghi explained that 'The European social model has already gone when we see the youth unemployment rates prevailing in some countries' (Wall Street Journal, 2012). Unsurprisingly, Noam Chomsky (2012) pushes the idea further and describes the welfare state in Europe as being 'under attack'.

Perhaps unsurprisingly then, confidence in the EU's capacity to come up with solutions to the social challenges it faces has also changed dramatically. One recent poll conducted by the European Commission shows that between 2007 and 2012, euroscepticism has risen to a striking degree (Euronews, 2012). In the case of Spain it rose 59% to settle at a new high of 72%, and countries such as the U.K., Germany, France, Italy and Poland echo the sentiment. There is no denying that such distrust among the population stems from social as well as economic problems, and the incapacity of the EU to formulate an effective response to them.

And yet, this chapter argues that a number of European Union and domestic actors are *still pushing for an EU social policy agenda*, which has undergone important developments in 2012. To a large extent these developments are taking place 'under the radar': far away from the public eye, and thus from public scrutiny (which is problematic in itself). While this social dimension below the surface has been ignored so far, because there are as yet few tangible *results*, our take is that the *processes* governing social policy at European level, namely in the context of the Europe 2020 strategy, are slowly maturing and are being taken more seriously by key actors. This could prove to be highly consequential, as more refined decision-making processes and sharper tools are emerging, which in turn could produce significant results in future.

The remainder of the chapter is organised as follows. Section 1 briefly describes the various initiatives that together constitute the EU's *light* social policy agenda today. As a result, the broader environment in which Europe 2020 is embedded is becoming somewhat more attuned to issues of social protection/social inclusion. Section 2 discusses the general architecture of the Europe 2020 strategy (including macroeconomic and fiscal surveillance and the cycle of the European Semester), as this is vital to understanding the place of the social dimension in it. Section 3 is the heart of this chapter, as it discusses how the governance of social policy has been maturing since the launch of the Europe 2020 strategy. We argue that (a) social affairs actors are being involved (a bit) more systematically, (b) decision-making processes are maturing and networks are being deepened, and (c) policy instruments are being sharpened so that actors in the field of social policy have more effective means for pursuing the priorities that they set. Section 4 then draws some conclusions and briefly envisages some scenarios for the future, drawing on Albert Hirschman's (1970) notions of *exit* (withdrawal of the social dimension from Europe 2020), *voice* (reinforce the social dimension from within), and *loyalty* (accept the *status quo*, and wait for better times).

1. A (thin) EU social policy after all?

The European integration process has long been described as 'asymmetrical', prioritising economic over social objectives (Scharpf, 1996). Although it is certainly true that market-making 'negative integration' has made remarkable strides, 'Social Europe' cannot be reduced to Europe 2020 or the European semester.

While the EU's *legislative agenda* in the area of social policy is clearly in slow motion (also because the *social acquis communautaire* is rather impressive), it was still being developed throughout 2012:

— the Commission announced legislation with the aim of attaining an objective of 40% of women in non-executive board-member positions;
— in the area of health and safety, Member States reached agreement on the review of European legislation concerning the protection of workers exposed to electromagnetic fields;
— the negotiation regarding a revision of the Directive on Institutions for Occupational Retirement Provision ('IORP II') are ongoing (even if it may not provide better protection for workers' supplementary pensions);
— the Commission proposed a Directive intended to improve implementation and enforcement of the Posting of workers Directive;
— in other areas, such as the proposed Council Directive on equal treatment between persons irrespective of religion or belief, disability, age or sexual orientation, the stalemate between the Member States is complete.

The struggle over the EU budget for 2014-20 represented a key moment in EU politics in 2012. In November 2012, European Union leaders failed to agree on the next seven-year budget, which would amount to about 1% of EU-wide gross domestic product. The stalemate around the EU budget (again) underscores the cleavage between rich and poor countries: *politically*, wealthier countries banded together to reduce what they pay to the collective pool. The Structural funds therefore represent a splendid illustration of the 'games real actors play': in this case, what matters is the financial interest of the Member States. In *institutional* terms, the discussion demonstrated the weakness of the Commission, which was largely absent from the diplomatic activity to strike deals between Member States (for a further discussion see Vanhercke *et al.*, 2012).

Substantively, the outcome of the budget negotiations implies a reduction of funding for social cohesion. The reduction of the resources available for the European Social Fund (ESF), for example, limits the EU's capacity to intervene and support investments in training, education and the fight against poverty. Now that the EU calls for more 'social investment' and is tying the Europe 2020 strategy more closely to the EU budget[5], the glaring lack of ambition of the EU budget has become even more striking. Which is why the European Trade Union Confederation (ETUC) called upon the Member States to put their money where their mouth is. At the same time, it should be noted that the newly created 'Fund for the Most Deprived' will allow the Member States to provide food[6] and goods for homeless people and materially deprived children, which can be seen as a significant innovation.

While the *European Social Dialogue* has not been very lively in recent years, there has been increased attention given in 2012 to transnational company agreements. In addition, a limited number of agreements have been reached through sectoral social dialogue: in the food and drink industry a sectoral social dialogue committee was set up in January 2012; sectoral social partners signed an agreement on working time for inland waterway transport; social partners in professional football signed an agreement on minimum standards for players' contracts; there was an agreement on health and safety in the hairdressing sector (incl. provisions on exposure to chemicals and other irritants, especially for pregnant women); and there was the sea fisheries sector agreement[7]

5. When it formally adopted the Europe 2020 strategy, the European Council stressed that all common policies, including the common agricultural policy and cohesion policy, will need to support it (European Council, 2010a).

6. The EU's Food Distribution programme will be discontinued at the end of 2013 as a result of the expected depletion of agricultural surpluses.

7. Covering occupational health and safety aboard fishing vessels, mandating a minimum age for workers in the sector, regular medical checkups, written work agreements, and that social security protection (at a minimum) should cover work-related sickness, injury, or death.

to Adopt ILO Convention no 188. By contrast, negotiations over the revisions to the Working Time Directive failed, even if the Commission agreed an extension of the deadline for the Social Partners until December 31, 2012. The ETUC withdrew from the negotiations in early December, calling the employers' final offer 'unbalanced' and stressing links between long and irregular working hours and health.

In other areas the Commission tried to keep the political debate about social protection and social inclusion going throughout 2012. This was more particularly the case in the area of *pensions*: the White Paper for adequate, safe and sustainable pensions (European Commission, 2012b) provided a broad analysis of both reforms and policy challenges, focusing in particular on population ageing. This is considered to be the most evident risk to the long-term viability of pension systems in Europe. An important and innovative study was produced by the European Commission and the Social Protection Committee (European Commission and SPC, 2012) on the social adequacy of pensions. Its key point is that tackling the demographic challenge demands an encompassing approach. This involves combining measures in the area of pensions with measures affecting labour market policies (increasing employment rates among younger generations, improving working conditions), education and training (improving skills formation and updating) and health care and social services for the elderly (Ghailani and Natali, 2013).

The year 2012 was also the Year of Active Ageing, which represented a focal point to attract the interest of stakeholders and policymakers alike. 'Active ageing' has been addressed from a lifelong perspective: all generations and age classes must contribute to a more adequate and sustainable pension system. Finally, note the emergence of the issue of 'taxation and pensions' on the European agenda. Various EU reports and events in 2012 (incl. the abovementioned White Paper) stressed the need to have an approach addressing spending *and* revenues as regards the sustainability of pensions. The Commission emphasises that it would be better to avoid an increase of tax on labour, which could harm employment levels, and invites the Member States to shift the tax burden towards energy and the environment.

Importantly, the European institutions laid the foundations in 2012 for a political initiative on '*social investment*'. Acknowledging the magnitude of social challenges in most Member States, the European Commission created a high-level group of independent experts on social investment with the aim of identifying viable strategies to strengthen the European social (and especially anti-poverty) dimension (Agostini *et al.*, 2013: 29). The group was able to draw on work done throughout 2012 by several academics on social investment (Hemerijck, 2012; Morel *et al.*, 2012; Vandenbroucke *et al.*, 2011). These publications also fed into the appeal from the European Parliament (2012) for a Social Investment 'Pact' as a response to the crisis. While the Parliament clearly made a (rhetorical) link to the (constraining) Stability and Growth 'Pact', the European Commission published its (non-constraining) Social Investment Package in February 2013. One of the more interesting issues on the table was the proposal that for the forthcoming budget period at least 25% of cohesion policy funds should be used for social investment; and that at least 20% of the European Social Fund of each MS should be allocated to the thematic aim of 'promoting social inclusion and combating poverty'.

The issue of youth unemployment was also raised onto the political agenda in 2012. Amongst others, through the Youth Employment Package of 2012 and the Youth Guarantee recommendation (European Parliament, 2013; European Commission, 2012d[8]), as well as the Youth Opportunities Initiative which provides tools to lower youth unemployment (European Commission, 2011a). All of these are the result of the initial Youth on the Move Flagship to promote education and employment for youth in the European Union (European Commission, 2010a). Moreover, the Country-Specific Recommendations adopted by the Council in July 2012 gave considerable attention to the issue of youth employment, while the Commission funded some research projects in the context of Youth Guarantee schemes at national, regional and local level. Finally, note that some (strictly limited) opportunities were created in 2012 for further reflection about a European minimum income, amongst others through studies being launched by the European Commission and the European Economic and Social Committee (EESC).

8. The Youth Guarantee recommendation provides tools to enable individuals up to 25 years of age find a job, continued education or an apprenticeship within four months of finishing education or of unemployment (European Commission, 2012d).

2. A new strategy for Europe until 2020: architecture and governance

The Europe 2020 strategy was launched in March 2010 with the aim to turn the EU into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion (European Council, 2010b). This new Strategy is based on enhanced socio-economic policy coordination, and is organised into three priorities, which are expected to be mutually reinforcing: *smart growth, sustainable growth and inclusive growth*. While the strategy was originally aimed at creating 'jobs and growth', its emphasis has shifted a great deal since its emergence. A quick look at the general architecture of Europe 2020 is essential to understanding the place of the social dimension in it.

2.1 Silent revolutions: macroeconomic and fiscal surveillance

Europe 2020 has been organised around three (supposedly integrated) pillars that differ significantly in their relative (political and legal) weight: macroeconomic surveillance, fiscal surveillance and thematic coordination. While these labels have remained unchanged, their actual content and tools for implementation have changed quite radically in the past year.

Macroeconomic surveillance aims at ensuring a stable macroeconomic environment conducive to growth and employment creation. In accordance with so-called 'Integrated Guidelines', it covers macroeconomic and structural policies addressing macroeconomic imbalances, macro-financial vulnerabilities and competitiveness issues which have a macro-economic dimension. This is the responsibility of the ECOFIN Council. Crucially, a new surveillance and enforcement mechanism entered into force in December 2011 as part of the so-called 'Six-pack' legislation, which reinforced economic governance in the EU and the euro area. The *Macroeconomic Imbalance Procedure* (MIP) relies on the following main elements[9]:

9. http://ec.europa.eu/economy_finance/economic_governance/ macroeconomic_imbalance_procedure/index_en.htm.

— An *early warning system*: an alert system is established based on a 'MIP scoreboard' consisting of a set of – by now – eleven indicators covering the major sources of macroeconomic imbalances (see Appendix 1). The scoreboard is published in the Alert Mechanism Report (published for the first time in February 2012) that marks the starting point of the annual cycle of the MIP.
— *Preventive action*: the MIP allows the Commission and the Council to adopt *preventive recommendations* at an early stage before the imbalances become large. These recommendations are embedded in the package of Country-Specific Recommendations which the Commission puts forward in the context of the European Semester (see section 2.2).
— The MIP also has a *corrective arm* which applies in more severe cases: an Excessive Imbalance Procedure (EIP) can be opened for a Member State if it is found to experience excessive imbalances. The corrective arm for euro area countries consists of a two-step enforcement regime:
    — an interest-bearing deposit can be imposed after one failure to comply with the recommended corrective action;
    — after a second compliance failure, this interest-bearing deposit can be converted into a fine (up to 0.1% of GDP).

The single most significant change brought about by the Six-pack is that it introduces *reverse qualified majority voting* (RQMV) for most sanctions. Reverse qualified majority voting implies that a recommendation or a proposal of the Commission is considered adopted in the Council *unless* a qualified majority of Member States votes against it. In practice it is very difficult for Member States to form a blocking majority. RQMV can therefore be considered as a 'semi-automatic decision-making' procedure which gives wide-ranging power to the Commission.

The second pillar of the Europe 2020 strategy is *fiscal surveillance* under the Stability and Growth Pact (SGP), which is supposed to contribute to strengthening fiscal consolidation and fostering sustainable public finances. Here, again, key developments took place in the past few months. First of all, the abovementioned Six-pack strengthens the SGP and more particularly the Excessive Deficit Procedure (EDP), which applies to Member States wich have breached either the deficit or the debt criterion (sanctions under the EDP are also adopted via RQMV). During 2012, Member States furthermore agreed on the two additional Regulations – also known as the 'Two-pack' – which introduced additional coordination and surveillance of budgetary processes for all eurozone members.

The Two-pack complements the SGP's requirement for surveillance, by enhancing the frequency of scrutiny of Member States' policymaking. Member States now have to submit their draft fiscal budget for the upcoming year to the European Commission; the Commission can require a revised draft budgetary plan if its assessment concludes that the draft budgetary plan shows serious non-compliance with the SGP. Importantly, the Two-pack integrates some elements of the 'European Fiscal Compact' directly into EU law. This Compact (or Fiscal Stability Treaty) – signed on 2 March 2012 by 25 EU Member States (EU)[10] – is an intergovernmental treaty introduced as a new, stricter version of the previous Stability and Growth Pact. Some of the provisions of the Fiscal Compact (which already entered into force on 1 January 2013 in the states which completed ratification) are more stringent than the Six-pack[11] which was adopted only a year before. This clearly reflects the sentiment of our interviewees that 'the house is on fire', as a result of which the rules of the game are constantly changing.

2.2 Thematic coordination and the European semester (basic architecture)

Europe 2020's third pillar, thematic coordination, focuses on structural reforms in the fields of innovation and research and development (R&D), resource efficiency, the business environment, employment, education and social inclusion. Thematic coordination combines EU priorities ('Integrated Guidelines' 4-10), EU headline targets (translated into national targets that underpin them) and EU flagship initiatives. It is conducted by the sectoral formations of the EU Council of Ministers. This includes, for employment, social protection and inclusion matters, the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO). In other

10. All Member States except the Czech Republic and the United Kingdom.
11. For example, the Fiscal Compact foresees that if a euro area Member State breaches the deficit criterion, a kind of reverse qualified majority voting (RQMV) applies to all stages of the EDP, even if not foreseen in the Six-pack.

words, this is where we find (some would argue, with a magnifying glass) the former European Employment Strategy and the Social OMC in the new architecture.

Box 1 **Cycle of the European semester**

November: the Commission publishes its Annual Growth Survey (AGS), identifying the key economic challenges faced by the EU and suggesting priorities for action. The AGS draws on ten Integrated Guidelines: six broad guidelines relate to the economic policies of the Member States and the EU, and four guidelines concern the employment and social inclusion policies of the Member States.

March: based on the 'Annual Growth Survey', the European Council endorses annual EU and national-level priorities, provides orientations for action and reflects on the implementation of the previous cycle.

April: Taking account of the European Council's orientations, Member States publish their National Reform Programmes in which they set out the action they will undertake, with a view to making progress towards the Integrated Guidelines and five agreed EU headline targets (including the aim to lift at least 20 million people out of the risk of poverty and exclusion). At the same time, Member States submit their Stability or Convergence Programmes, the fiscal surveillance instruments based on the Stability and Growth Pact

May: the Commission publishes Country-Specific Recommendations (CSRs), which assess the NRPs. Although most of the recommendations focus on economic and employment reforms, an increasing proportion also address social cohesion issues, including combating poverty and social exclusion.

June-July: discussion and in some cases amendments by the committees preparing the work of the ECOFIN and EPSCO Councils: the Economic Policy Committee (EPC), the Employment Committee (EMCO), the Social Protection Committee (SPC), and the Economic and Financial Committee (EFC). The CSRs are then endorsed by the European Council and adopted formally by the Council. The Commission's reports in the following year assess how well this advice has been implemented, and whether sanctions are appropriate.

As can be seen in Box 1, the basic architecture of Europe 2020 consists of building blocks, which taken together constitute the 'European semester'. This was introduced in 2011 and refers to the first half of each year when EU institutions together with the Member States decide on the EU's priorities and actions, to be taken at European and national levels. Seven flagship initiatives underpin the semester targets and are supposed to 'catalyse progress under each priority theme', including on 'Youth on the move', and the 'European platform against poverty' (EPAP). Note that the latter initially gave rise to a lot of controversy as it seemed to 'replace' the Social OMC; however, it now looks as if the EPAP has been reduced to the (ad hoc) Annual Convention on Poverty.

While the formal architecture of the thematic coordination of Europe 2020 has remained largely stable since its launch (see Vanhercke, 2011), a lot has changed in terms of the procedures for its actual implementation, especially as regards mutual surveillance, and the examination and adoption of the CSRs, to which we will turn in section three. Having established the broad picture of the Europe 2020 strategy, the question then is how to qualify its 'social' dimension. When comparing the subsequent Annual Growth Surveys, to begin with, the Commission initially regarded pensions and health care as a burden on government budgets, and reforms intended to 'balance the books'. As importantly, the first AGS narrowed down social policy in the context of the new strategy to policy against poverty and social exclusion (European Commission, 2010b: 6).

In the second Annual Growth Survey (published in November 2011), the Commission took a somewhat more nuanced approach. First, based on the finding that the crisis 'has disproportionately hit those who were already vulnerable and has created new categories of people at risk of poverty', the AGS considers that Member States should give priority to further 'improving the effectiveness of social protection systems and making sure that social automatic stabilisers can play their role as appropriate, avoiding precipitate withdrawals of past extensions of coverage and eligibility until jobs growth substantially resumes' (European Commission, 2011b: 12). The section with regard to pensions now stresses the need to give priority to 'reform', but also for the 'modernisation' of pension systems, with a view to ensuring the financial sustainability *and* the 'adequacy' of pensions.

The AGS 2013 (published in 2012) confirmed 'tackling unemployment and the social consequences of the crisis' as a new priority within the AGS, thereby giving it a proper social dimension (European Commission, 2012c). Even if austerity policies have remained the overwhelming message of the European Semester (EAPN, 2012: 7), in the framework of the new priority mentioned above, ‘active inclusion’ is considered to be one of the main policy answers to address the social consequences of the crises (Agostini *et al.*, 2013).

A similar tendency can be found when one takes a closer look at the *Country Specific Recommendations*: between the first and the second cycle of the European Semester, an increasing proportion also address social cohesion issues, including combating poverty and social exclusion. Thus, in 2011 only three countries received CSRs which (also) touched upon poverty (BG, CY, EE). In 2012 the European Commission and the Council decided on a specific paragraph on poverty for four countries (BG, LV, LT, ES) while in other cases the topic was addressed through other headings (CY, PL, UK) (ibidem). In 2012, 17 CSRs addressed pensions, 5 health and long-term care, 7 poverty reduction, 3 Roma inclusion, and 5 the effectiveness of social protection more generally, though the pension recommendations in particular were criticised for their narrow focus on financial sustainability (SPC, 2012), while proposing a one-size-fits-all solution: adjust the retirement age to life expectancy.

All in all, it would seem that while the CSRs and AGS are largely focused on economic issues (Degryse, 2012) and ‘the only cross-country consistency in all recommendations lies in the call for fiscal consolidation’ (Derruine and Tiedemann, 2011: 6), the social dimension is slowly acquiring its substantive place in Europe 2020. The next section discusses how this came about.

3. The changed governance of social policy in Europe 2020

3.1 Involving social affairs actors (a bit) more systematically

To the surprise of quite a few observers, the Social Affairs Ministers of the Member States of the EU declared, in June 2011, that the Open Method of Coordination for Social Protection and Social Inclusion (Social OMC) had proved a flexible, successful and effective instrument and that it would be reinvigorated (read: relaunched) in the context of the new Europe 2020 strategy (Council of the European Union, 2011a). In practice, however, it is quite clear that the Ministers for Social Affairs and the Social Protection Committee were largely excluded from the initial Europe 2020 strategy. This was quite clear from the EPC note on the implementation of the second phase of the European Semester, which discusses cooperation with EMCO; the SPC is not mentioned once. The note rather explicitly says that 'all related pension issues would be discussed by EPC', even if the SPC Chairman 'would also be invited to the EPC discussion to pass on the views of the SPC on pensions adequacy issues' (EPC, 2011).

To a large extent, this attitude as regards the SPC can be attributed to the fact that the CSRs are based on the Treaty articles governing the Stability and Growth Pact, the Broad Economic Policy Guidelines and the Employment Guidelines. As a result, the EPC and especially the EFC clearly remain the dominant committees, which have only just begun to recognise the SPC as a legitimate actor in the game. But even for EMCO the battle over territory with the EPC and the very powerful Economic and Financial Committee[12] (its members have direct access to the finance ministers) is a permanent challenge[13]. Unsurprisingly then, the SPC (2011) labeled its involvement in the decision-making process around the CSRs as 'symbolic rather than influential' in 2011, as its messages were not heard outside the inner crowd.

And yet it seems that the role of the Social Affairs players has begun to change in 2012, and that they began to acquire their place around the table. Drawing on intensified social monitoring, mutual surveillance, and peer review (see section 3.3 below), the SPC produced its own input into the adoption of the CSRs. Thus, in 2012 the committee conducted a multilateral examination of the Commission's draft CSRs jointly with EMCO, and successfully proposed amendments on social issues to the Council. However, as a combined result of (a) serious time pressure (Member States had four working days to analyse the CSRs addressed to their own country), (b) the lack of procedural arrangements between the SPC and the EFC (also because the latter had not used RQMV for adopting the CSRs) and (c) a lack of competence in the EMCO to

12. The EFC is composed of senior officials from national administrations and central banks, the ECB and the Commission. It works through ad-hoc and sub-committees. Its membership is still not public, although the committee seems to be a bit more in the spotlight through its renewed collaboration with EMCO.
13. Thus the EPC proposed a meeting together with EMCO on labour market issues, to be co-chaired by EPC and EMCO chairmen, but limiting EMCO members to one person, and only for those MS which have a labour market and wage recommendation (EPC, 2012).

convincingly convey the SPC messages on pensions to the EFC, the results of the SPC/EMCO joint multilateral examination were not brought to the EPSCO Council. As a result, 'at the last hour', the economic actors (helped by the Danish Presidency) managed to impose their views on the key issue of pensions: the SPC's proposed amendments never reached the EPSCO Council, leaving decisions about the CSRs in this field to be taken by the EFC and the ECOFIN Council, which focused on financial sustainability rather than social adequacy (SPC, 2013a).

This experience gave rise to a great deal of emotion at the EPSCO Council in June 2012 ('which was entirely hijacked by the incident' according to one of our respondents), and provoked extensive mobilisation throughout 2012 over political 'ownership' of social issues by the EPSCO Council as well as the SPC. This in turn resulted in a revised procedural framework for the 2013 European Semester, based on a clearer allocation of responsibilities and cooperation in areas of overlapping competences between the various committees involved (Council of the European Union, 2012a). Thus the SPC reviewed the implementation of the 2012 CSRs on pensions *jointly* with the EPC, and was scheduled to meet with the EFC and EMCO to finalise amendments to the 2013 CSRs on pensions and health, and on social inclusion aspects of employment, respectively (Barcevičius *et al.*, 2013). The proof of the pudding will, as always, be in the eating: clearly the 'battle for territory' over who discusses – and ultimately decides – the different issues tackled by the CSRs is not settled yet.

And yet, what is already clear is that both the SPC and the EMCO have begun to take a more critical stance as regards the Commission-proposed employment and social protection CSRs. The latter are no longer seen as 'given', but rather as up for debate and amendment and contestation (the CSRs help MS to figure out what to do, no less but also no more). The fact that some significant amendments were indeed obtained through RQMV, points to a shift away from Member States simply accepting that the EC 'knows what is good for them'. In a similar vein, the EPSCO Council's conclusion that 'Member States need some leeway to choose the implementation path that best suits their national conditions, in particular in areas which remain in Member States' competence' (Council of the European Union, 2012b: 2) can be interpreted as a push back against the behavior of the Commission in imposing one-size-fits-all solutions while refusing to deliberate. The negotiations over the 2013 CSRs will show whether social affairs players in the Member States are ready – and able, for example through coalition-building in the committees and ESPCO Council – to ‘fight back’, in spite of the high burden of RQMV.

3.2 Maturing decision-making processes and deepening networks

The Europe 2020 strategy has considerably changed the decision-making processes of the EMCO and SPC in the last year, even in comparison with 2010 and 2011. The most significant change is certainly the introduction of the abovementioned reversed qualified majority voting (RQMV) in the Employment Committee[14]. Again, this means that the *default position* for the EMCO opinion is that the EC proposal for CSR is accepted, *unless* a Member State proposal for a change is accepted by the whole of the committee (in other words: the EC does not need a majority *supporting* its proposed CSR, the Member States need a large majority *opposing* it). One of our key interviewees estimated the success rate of amending a CSR at 10%, at the most.

Since EMCO has so far always worked through consensus decisions or occasionally a simple majority vote, this shift represents a quantum leap for this committee (one interviewee refers to a ‘culture shock, the dust of which took a long time to settle’). At the same time, the use of RQMV also meant that ‘any changes agreed by EMCO could be strongly defended by the Presidency in Council. This has considerably enhanced the reputation of EMCO as ‘a core player in Europe 2020’ (EMCO, 2012a). Our respondents confirm that, while RQMV is by no means their preferred ‘way of doing things’, using it had a positive impact on EMCO’s relationship *vis-à-vis* the EPC (which also uses this procedure in the context of the CSRs). The decision has been taken to start using RQMV in the Social Protection Committee as well (as from 2013[15]), at least when the SPC operates in its role of preparing decisions to be

14. Technically speaking, it is not an actual vote but an ‘indicative test’ for support of the MS amendments. The actual votes can only take place in the Council.
15. This required changing the internal rules of procedure of the SPC.

taken by the Council. In conducting its own business, the Committee, like EMCO, can be expected to continue taking decisions by consensus or simple majority.

A second change in the decision-making processes is that in each case, amendments to the CSRs (i.e. any changes to the Commission's proposals) are to be justified[16] by the results of the *multilateral surveillance reviews* conducted within the committees. The EMCO indeed notes that its work on multilateral surveillance was extensively used as a negotiation mandate to justify the adoption or rejection of amendments to the EC's proposed CSRs. The other side of the coin is that amendments that have *not* been (extensively) discussed during the multilateral surveillance, do not stand a chance of acquiring the needed RQMV. The consequence of this is that the Europe 2020 framework pushed Member States towards 'multilateralism', as opposed to the earlier bilateral work (read: negotiations) between the EC and the MS. The EC indeed pushes the Committees to 'speak as one' on the CSRs, while avoiding 'a series of bilateral discussions between a Member State and the Commission within the plenary of the Committee Meeting' (European Commission, 2012e).

Note that the shift from bilateral to multilateral work in both the EMCO and the SPC is still ongoing. MS are still reluctant to be openly critical towards each other; the Commission has therefore asked them to explicitly present their views and not limit themselves to asking questions (EMCO, 2012b). One key actor (cynically) explained that MS do not really have an incentive to be openly critical towards each other: 'the only thing they need to do to disapprove of the policy of another Member State is to abstain from supporting the proposed CSR amendment'.

A third change in the decision-making processes is that the collaboration between the committees involved is not only being intensified, but is also being institutionalised. In a way, the fact that most of the CSRs deal with *several* issue areas, forces the EPC, EFC, EMCO and (ideally) the SPC to work together to find an agreement on the proposed

16. Furthermore, under the 'comply or explain' rules of the European Semester, the Council is obliged to provide a written explanation of its reasons for modifying the Commission's recommendations: both EMCO and the SPC were therefore expected to produce a formal report on the CSR examinations, justifying their amendments.

amendments (note that MS are expected to agree on a common position across *all* committees about the amendments they wish to obtain for 'their' CSR). Hence we see more joint Opinions between EMCO and the SPC (e.g. on the examination of the NRPs, Council of the European Union, 2011b and 2012a). And there is a gradual move from the minimalistic scenario where one representative from EMCO or SPC is 'allowed to attend', to genuine joint sessions[17]. Arguably EMCO realised that excluding the SPC on key decisions (including on pensions) in the end undermined its own position, *vis-à-vis* the EPC/EFC. As mentioned above, the SPC was scheduled to examine the implementation of the CSRs on pension policy with the participation of EPC Members as well as the EMCO chair, which may be a sign that the SPC is (finally) confirming its prerogatives (Barcevičius *et al.*, 2013). At the same time it is rather clear that EMCO has safely established itself as the 'hub' of the social committees, which now also includes a newly created Education Committee. All in all it seems fair to say that the networks of decision-makers around social policy are becoming denser (read: involves more of the relevant actors).

3.3 Sharpening policy instruments: mutual surveillance and monitoring

As suggested above, the SPC has established itself as a significant player in monitoring, reviewing, and assessing national reforms within the European Semester, alongside the economic and employment committees. By producing sound analysis and political messages about how broad social protection (social insurance) and social inclusion strategies are to be considered as a productive factor, the SPC tries to provide a counterweight to the dominant EU economic discourse. Following EMCO's lead, the SPC not only contributes to the Europe 2020 Joint Assessment Framework (JAF) for monitoring the Employment Guidelines (European Commission, 2011c), but has also developed its own Social Protection Performance Monitor (SPPM) (see Box 2 below). Alongside this, the EMCO has continued to refine its Employment Performance Monitor

17. For example, the joint EMCO/EPC thematic review on the tax wedge; joint meeting of EMCO and SPC on active inclusion and on the financing of employment friendly social protection systems; joint EPC and EMCO meeting on labour market and wage issues.

(EPM)[18]. With a view to developing these tools, the Employment Analysis and Social Analysis Units in the Commission's DG for Employment, Social Affairs and Inclusion (DG EMPL) have been considerably strengthened through a reallocation of resources. At the same time, 'employment' and 'social' analysis teams increasingly pool their expertise, in spite of the dividing lines within DG EMPL.

Box 2 **The Joint Assessment Framework (JAF) & Social Protection Performance Monitor (SPPM): a brief excursion**

The JAF is an indicator-based assessment system, covering both general and specific policy areas under Integrated (Employment) Guidelines 7 to 10. It consists of two main elements:

– The monitoring and assessment of structural reforms under the Employment guidelines through a quantitative and qualitative assessment methodology, leading to the identification of key employment challenges and potential risk areas.
– The quantitative monitoring of progress towards the EU headline and related national targets in the light of the implementation of the integrated guidelines.

The results produced by these two elements feed into an Employment Performance Monitor and the Social Protection Performance Monitor: clear, transparent, concise and easy to communicate summaries that can be used to identify at a glance the main challenges and that can periodically be submitted to the EPSCO Council. The SPPM includes a 'dashboard' of overarching and context indicators to monitor the social dimension of Europe 2020 across all three pillars of the Social OMC, detailed country profiles, and common 'trends to watch'.

The SPC and EMCO are committed to using the JAF as an analytical tool that can underpin multi-lateral surveillance and evidence-based policy-making, and also support Member States in establishing their reform priorities, benefiting from mutual learning and identifying good practices[19].

Sources: European Commission (2011c) and SPC Indicators Sub-Group (2012).

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18. The December 2012 version of the EPM contained a benchmarking of the Europe 2020 headline targets relating to the labour market (EMCO, 2011).
19. For more information on the JAF see the Commission website: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=972&furtherNews=yes.

This extended social monitoring goes hand in hand with a significant intensification of mutual *country surveillance*. Whereas until 2011 (ad hoc and rather superficial) SPC peer reviews occurred once a year focused on the National Strategic Reports, now mutual surveillance activities are conducted throughout the year, with in-depth thematic reviews[20] in the autumn and country reviews of the NRPs (reviewing the implementation of CSR as well as the NRPs) in the spring (SPC, 2012). SPC Members were asked if they were ready to give country surveillance a new orientation: 'less descriptive, more critical' and more analytical (ibidem).

The thematic reviews in the SPC in particular are aimed at fostering mutual learning[21] and stimulating multilateral discussion on promising approaches to tackling specific policy challenges (namely those identified as 'trends to watch' by the SPPM). They invite countries performing weakly in a particular area to examine those achieving better outcomes. Thematic reviews also include a final evaluation of the work done over the year in the context of mutual surveillance (accumulation of knowledge). At the same time, the EMCO and SPC have also continued to organise an extensive programme of peer reviews, namely through the Mutual Learning Programme and PROGRESS. Many of these reviews focused on core themes related to Europe 2020[22]. The EMCO has also discussed the possibilities of strengthening and intensifying peer reviews (which should become more explicit, and political), in spite of overloaded committee agendas. At the same time, there are several examples of innovative learning tools that are emerging: (a) it has been proposed that the 'learner' and 'tutor' roles should be reversed for certain reviews (the country facing challenges reviews the policies of a successful complier); (b) external experts are now being invited to provide a brief ex-ante assessment during EMCO's thematic reviews; (c) 'peer counselling' (tailor-made peer-learning related to CSR is being proposed in the Education Committee (European Commission, 2012f);

20. In 2012 the in-depth reviews focused on pensions and active inclusion.
21. For a detailed description of the Social OMC's learning tools, see Lelie and Vanhercke (2013).
22. The theme and activities for the MLP in 2012 remained the same as in 2011: 'Working towards the employment targets and priorities of the Europe 2020 strategy'. PROGRESS Peer Reviews covered topics such as active inclusion, child poverty, setting national poverty targets, and improving the efficiency of social protection systems (Agostini *et al.*, 2013).

and (d) EMCO is considering the possibility of organising two-day meetings and parallel workshops (EMCO, 2012c).

Clearly, both EMCO and the SPC are looking for ways to combine 'tougher' mutual surveillance in employment and social policies with increased mutual learning opportunities. This is nicely illustrated by the EMCO Chair's intervention during the EPSCO Council of 4 October 2012, when he felt the need to reject the 'accusation that we will give Member States leeway'. Rather, he explained, the idea is to provide for mutual learning opportunities (by challenging each other, reasoning), with a view, among other intentions, to creating stronger commitment to the needed reforms. In other words, while the feet of the MS are held over the fire through the RQMV, it would seem that 'deliberation' is increasingly acknowledged as being part and parcel of effective implementation of the European semester, also in view of the complex nature of the problems being dealt with.

Finally note that the SPC publishes its annual 'Social Europe' report (SPC, 2013b), which draws on the European Commission's annual report on 'Employment and Social Developments in Europe'[23] (European Commission, 2012g) as well as 'EU Employment and Social Situation Quarterly Review' (European Commission, 2012h). The production of these punchier and more reader-friendly documents has been rather successful, in that they are now regularly picked up by mainstream printed and social media[24]. Note that other attempts to develop additional monitoring tools are less successful: neither the proposed 'Reform Tracking Device' (prepared by the EC) nor the suggested new employment scoreboard, that would reflect the degree of reform implementation through a 'weather forecast' (sunny, cloudy, rainy) seem to produce much enthusiasm amongst Member States (European Commission, 2012i).

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23. This single report replaces the Commission's earlier 'Social Situation Report' and the 'Employment in Europe' report.

24. In January 2013, the Employment and Social Developments in Europe 2012 Report was discussed in The Telegraph (http://www.telegraph.co.uk/finance/comment/ambroseevans_ pritchard/ 9798790/ Mario-Draghi-has-saved-the-rich-now-he-must-save-the-poor.html) and on Jonathan Porte's Blog (Not the Treasorie's View, see http://niesr.ac.uk/blog/ european-labour-markets-six-key-lessons-commission-report#.Ua3QQq9CTz. It was equally discussed in the Frankfurter Allgemeine Zeitung.

4. Summary and outlook

This chapter began by illustrating that even in these adverse economic times, the EU still took initiatives in 2012 that complement the rather impressive *acquis communautaire* in the social field. This was accomplished using the various tools the EU has at its disposal: legislation, social dialogue, and funding. As a result, the broader environment in which Europe 2020 and the European Semester are embedded became somewhat more attuned to issues of social protection/social inclusion, at least compared to previous years. The Commission contributed to this by pushing the debate on issues such as pensions, youth employment, and social investment. It has also (finally) begun raising some important questions about the adverse effects of its own austerity policies. This does not alter the fact that the EU's dominant discourse is still embedded in 'ordoliberalism' (Barbier, 2012), even though it has now been firmly established that recession hurts, but austerity kills.

This is not to say that the EU is an immovable object. Indeed, this chapter has demonstrated that after two years of 'trial and error' in the implementation of the European Semester, decision-making processes are maturing, and involve more of the relevant actors. That is to say that the social and employment actors involved in the Europe 2020 strategy have begun to formalise their positions in the mutual surveillance process, and thereby their influence in the European Semester, the conclusions of which are no longer accepted as given, but may now be challenged. All in all, it seems fair to say that the networks of decision-makers around social policy are becoming denser. Certainly, this is a slow evolution (e.g. the role of the SPC in Europe 2020 still needs further clarification) that still leaves a lot of discretion to the economically-minded actors. Nevertheless, it is remarkable that in an environment so strongly defined by the economic crisis, EMCO, the SPC, and DG EMPL of the European Commission have used the context of intensified mutual surveillance (which can be seen as a spillover effect in response to strong economic monitoring tools) to strengthen their own policy instruments. The analytical toolbox has been improved through better monitoring, sharper indicators, and a refining of mutual learning processes. Taken together, these measures provide actors in the field of social policy with more effective means for pursuing the priorities that they set. At the same time, Member States seem to have chosen to combine 'being tough' on each other (one of the effects of the *intensified* *collaboration* between the committees involved) on the one hand, and securing much-needed mutual learning opportunities on the other. In other words, the dichotomy between 'enforcement' and 'deliberation' would seem to be a false one.

The real test will be whether such (strengthened) *social* monitoring can at some point be fed into the *mainstream* system of economic governance. The 'MIP Scoreboard', for example (see section 2.1 above), which is used in the Macroeconomic Imbalances Procedure, needs to be further refined with social indicators, so as to alert ministers to the danger of serious ('excessive') employment and social imbalances that could threaten the stability of the EMU. These new monitoring tools, which are broader than the Europe 2020 targets, are indeed essential for the effective implementation of the European Semester and the recently proposed Social Dimension of a Genuine EMU (Barcevičius *et al.*, 2013). In a similar vein, the social and employment indicators discussed above should also play their part in monitoring the impact of the far-reaching social and labour market reforms that are being imposed in those Member States that have signed a Memorandum of Understanding in exchange for a financial rescue package.

Clearly, several issues that help define the decision-making procedures and the positions of the actors in the European Semester need further clarification. Indeed, three years after its launch, Europe 2020 is by no means 'set in stone'. In fact, it has changed so rapidly that some national delegates in the abovementioned committees struggle to navigate the various instruments of the Semester. Key questions for the future include:

— What will be the role of the SPC in the proposed preventive coordination of social protection measures and the social dimension of EMU (a contractual approach, or sanctions and funding)?
— Which CSRs are discussed where (i.e. in what committee or Council formation) and with which voting procedures? There is a considerable amount of legal uncertainty around these issues ('confusion' according to the Cypriot Presidency).
— What place is left for stakeholders (social partners, NGOs, and civil society)? They seem to have lost much of the influence they had gained during the Lisbon strategy, in spite of recurrent appeals to take stakeholders more seriously (EAPN, 2012; EESC, 2012)?

- What mandate does the Commission have to negotiate (and to discuss) the CSRs in the respective committees?
- How should the timing of discussions be managed, in view of the more general complaint about the extremely tight deadlines that are set for organising work between the EFC, EPC, EMCO and SPC?
- What use is being made of multilateral surveillance carried out by EMCO and the SPC by other committees?

In a way, all of these questions start from the assumption that the existing framework is unsatisfactory, but accept that it cannot be simply abandoned. That is to say, there is no easy ‘exit’, to frame it in the terms of Albert Hirschman (1970). It is indeed difficult to imagine to what extent a withdrawal of the social dimension from the Europe 2020 strategy would provide any kind of solution, even if it may seem tempting in the current climate. Pessimism is indeed rife, including among those who point out that the Europe 2020 targets are inconsistent and ineffective in addressing poverty and social exclusion (Copeland and Daly, 2012). Nonetheless, such an exit would to some extent imply a return to the Lisbon period, when those active in social affairs had far more freedom to say what they wanted, but in a way were ‘preaching to the converted’, and largely ignored by the dominant players.

For this reason, the questions above can be framed in what Albert Hirschman would call ‘voice’: an attempt to remedy the current situation by reinforcing the social dimension ‘from within’ the mainstream strategy. The scholarly debate on the social dimension of the EU at least presents a certain consensus that while the current ‘state of alert’ of Social Europe is not a desirable one, the social element is still relevant to the European Union in the long term (Barbier, 2013). In fact, some authors argue not only that a clearly defined social Europe is imperative to the future of the European Union, but that a true European social model is needed to promote the ‘European way of life’ (Vandenbroucke, 2012: 18 and 21). Furthermore, others suggest that, faced with such anti-democratic measures as reversed qualified majority voting and the coercive nature of macroeconomic policy, NGOs, trade unions, and citizens alike must voice their opinions and act as ‘the guard dogs’ of democracy (Barbier, 2012: 10-11). The debate on the welfare state is ongoing and these authors do not only state the obvious, but give precise explanations of where and what to address (Vandenbroucke, 2012; Vignon and Cantillon, 2012; Morel *et al.*, 2012). Thus, Hirschman's notion of voice is an integral part of the forthcoming dialogue on the European social model.

It seems rather clear that Hirschman's third possible line of action, namely 'loyalty' (accepting the *status quo* and waiting for better times) is unacceptable. The worst possible outcome would indeed be the confirmation that the current policy is, in fact, 'social policy'. Even authors such as Maurizio Ferrera, who explains that Europe's current liberal neowelfarism provides interesting avenues of development for the future, clearly point to the fact that the current environment of fiscal austerity limits such progress (Ferrera, 2013: 10).

All this being said, the debate as to the road to be taken – exit, voice or loyalty – is ongoing: whether trade unions, political parties, NGOs and other social actors choose to exit or to build up a progressive coalition of the willing crucially depends on the EU's ability to provide them with better prospects on the social front. This requires that the EU, as a political entity that intervenes profoundly in the daily lives of its citizens, should urgently invest in a further social project, and in so doing, find new sources of legitimacy. Indeed, 'the present goals of the European Union are not only inadequate from a social democratic viewpoint, but they are intrinsically too narrowly defined to hold any prospect of success' (Vandenbroucke, 2012: 33-34). At the same time, this chapter explained that even in the absence of a formal 'European social agenda', social stakeholders have been able to reclaim some of the position they lost with the introduction of the Europe 2020 strategy, and have (between 2010 and 2012) been able to gradually strengthen – albeit thus far largely unnoticed the social dimension of the European Semester. While this fragile social dimension may not be visible in these times of austerity, one must acknowledge the fact that at least some actors are effectively developing it 'under the radar'. If it receives enough support, the social dimension may very well surface again. What's more, it may yet have a significant impact in the future.

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Appendix 1

Scoreboard for the Macroeconomic Imbalance Procedure

The headline indicators consist of the following eleven indicators and indicative thresholds, covering the major sources of macroeconomic imbalances:

– 3 year backward moving average of the current account balance as percent of GDP, with a threshold of +6% of GDP and -4% of GDP;

– net international investment position as percent of GDP, with a threshold of -35% of GDP;

– 5 years percentage change of export market shares measured in values, with a threshold of -6%;

– 3 years percentage change in nominal unit labour cost, with thresholds of +9% for euro-area countries and +12% for non-euro-area countries;

– 3 years percentage change of the real effective exchange rates based on HICP/CPI deflators, relative to 35 other industrial countries, with thresholds of -/+5% for euro-area countries and -/+11% for non-euro-area countries;

– private sector debt in % of GDP with a threshold of 160%;

– private sector credit flow in % of GDP with a threshold of 15%;

– year-on-year changes in house prices relative to a Eurostat consumption deflator, with a threshold of 6%;

– general government sector debt in % of GDP with a threshold of 60%;

– 3-year backward moving average of unemployment rate, with a threshold of 10%;

– year-on-year changes in total financial sector liabilities, with a threshold of 16.5%.

Source: http://ec.europa.eu/economy_finance/economic_governance/ macroeconomic_imbalance_procedure/mip_scoreboard/index_en.htm.