


# The European Semester and EU Social Policy

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## Abstract

Europe 2020 and the European Semester signal a major change of direction in EU social policy with new governance arrangements, policy orientations and politics. This paper analyses 290 Country Specific Recommendations and 29 interviews to answer two questions: 1) What type of social policy is being advanced by the EU at present? 2) How are EU social actors able to advance EU social policy under current conditions? It argues that the degree of progress in EU social policy in the European Semester (2011–15) has been conditional and contingent. EU social policy is more oriented to supporting market development than it is to correcting for market failures. We explain these developments by a combination of factors including the strong agency exerted by some social actors in a context of constraint, the moderation of expectations and the adoption of strategic practices by key actors, and political divisions among the Member States.

**Keywords:** EU social policy; Europe 2020; European Semester; Economic governance

## Introduction

The focus of this article is on EU social policy-making since 2010 in the context of new governance arrangements and changing policy orientations and politics under the European Semester and Europe 2020. Analysis of these developments can tell us something very important about the consensus around social policy in the EU, and in the Member States more broadly, given the potentially important role to be played by social policy in adjusting to the financial crisis. The last seven years have been especially momentous in an EU context. The European Semester was introduced in 2011, inaugurating a significant new annual governance cycle to monitor and enforce compliance with stringent budgetary and structural reforms (European Commission, 2010). A key part of the Semester – and the strongest mechanism available to the EU institutions to influence social policy developments at Member State level – is the issuing of Country Specific Recommendations (CSRs) to Member States in areas of perceived weakness. Europe 2020, the 10-year programme of economic, employment and social policy goals and priorities of the EU, introduced ten integrated guidelines to be taken forward by five headline targets and seven flagship initiatives. Social policy has an explicit place in Europe 2020, especially in terms of poverty and social inclusion, employment, pensions, health and social care. For example, one of the five targets aims to lift some 20 million people out of poverty and social exclusion by 2020.

Several important contributions have analyzed EU social policy under the new developments. There is no consensus about how to interpret developments however. For Crespy and Menz (2015) social policy concerns have been further marginalized in the new governance arrangements. Zeitlin and Vanhercke (2018), Bekker (2015) and Jessoula (2015) have been considerably more positive, arguing that from 2012 onwards

social actors were able to navigate the European Semester and advance social issues, as evidenced by increased visibility and activity in the social policy sphere, including a greater social focus in the CSRs. We seek to deepen knowledge, by bringing new evidence and more penetrating analyses to bear on the EU approach. First, we undertake an analysis of all the relevant CSRs issued between 2011 and 2015 to examine how they frame social policy. Our distinctive focus is on the content and orientation of each relevant CSR as against the general practice in the field of enumerative comparisons operationalized by counting the individual policy areas mentioned in the CSRs (Clauwaert, 2014). Secondly, we use evidence obtained directly from key actors through interviews to explain developments, as well as to examine the associated politics and processes. Probing the developments in these ways offers a triple opportunity: to identify the approach to social policy now being promoted by the EU; to shed light on the interdependencies and relative priority of policy areas within the European integration process; and to make statements about the role of actors, institutions and politics in the current process.

Theoretically, we propose an analytic framework that integrates a focus on the politics of EU social policy with the relationship that EU social policy has with the broader process of European integration (and by implication with other policy fields). We suggest that there is a rich agenda in contextualizing developments better to understand how opportunities are seized upon and constraints addressed and overcome. Grounded in a political sociology approach to EU governance, the article addresses two research questions: 1) What type of social policy is being promoted by the EU? 2) How are EU social actors able to advance EU social policy under current conditions? We suggest that the degree of progress towards social policy in the European Semester (2011–15) has been conditional and contingent – there is a mix of single social policy approaches in operation – but EU social policy as enunciated through the CSRs is much more oriented to supporting market development than it is to correcting for market failures.

The article is organized as follows. The first section presents the theoretical framework. A second outlines the methodology as well as the evidence base on which the paper rests. In the third section the analysis of the CSRs is presented. The fourth section sets the CSRs in context in order to reveal the associated agency, motivations and strategies, drawing especially on new evidence from actors directly involved. The conclusion reflects on the current state of play in EU social policy and conjectures about future developments.

## **I. Governance, Agency and EU Social Policy**

At the risk of over-simplification, the long story of EU social policy can be told in two main tales: the expansion of EU social policy competence despite a weak Treaty mandate; and the uneven, incremental, and sometimes unintended, nature of this expansion (Anderson, 2015, p. 3). The former underlines what has been achieved (Geyer, 2000; Hantrais, 2007); the latter reveals the conditions under which progress has been made or not, underscoring that social policy at EU level cannot be explained in a linear or straightforward way (Zeitlin, 2009). Both approaches are characterized by a focus on governance as a key part of the explanans, drawing upon the ‘governance turn’ in EU studies (Hix, 1994) and the fact that developments in EU social policy over the last two decades have

largely been achieved through flexible governance processes that focus on co-ordinating policy, such as the Open Method of Coordination (OMC) (Trubeck and Trubeck, 2005).

We recognize the importance of a governance approach, with its central interest in the specific tools and procedures of governance (Héritier and Rhodes, 2011). However, to fully understand the governance of EU social policy, governance arrangements should be seen as sites of concentrated power and an apparatus over which groups contest and struggle for control (Favell and Guiraudon, 2011; Kassim and Le Galès, 2010; Neuman, 2007). Actors – EU policy-makers and representatives from the Member States, as well as the broader set of non-state actors populating the EU's political landscape – navigate and negotiate the opportunities and constraints obtaining within the governance setting in their competitive search for influence and resources. This kind of political sociology approach to governance picks up on, and takes forward, two striking features of EU social policy: first, its very political and politicized nature and, second, the question of whether, and to what degree, EU social policy is dependent upon, and determined by, economic policy and market integration and growth. In short, our claim is that one cannot understand developments in EU social policy without acknowledging the broader process of European integration, the various political struggles among actors in a highly-competitive environment, and the impact that such struggles exert on the outcomes. This is what contextualizing means in this article.

To answer the research questions, two further analytical clarifications are needed (relating in turn to each of the two research questions). The first focuses on the type of social policy that is being advanced. This raises the immediate matter of how to assess the content and orientation of the CSRs, and, thence, to read the direction or nature of social policy at EU level. There is no consensus in the field on the appropriate interpretive framework for social policy in the current period. Some are convinced that we are in the age of social investment given the focus on education (including early education and care) and labour market and other forms of activation (Morel et al., 2012; Van Kersbergen and Hemerijck, 2012). Others see neoliberalism, citing a primary concern with efficiency and market hegemony, moves towards privatization and a general withdrawal or downgrading of state action (Crouch, 2011; Daly, 2012). These characterizations are so widely used that they risk becoming little more than labels (Nolan, 2013). This is one set of reasons to avoid these and other global terms. A second is that they are not very discriminating in terms of actual policy measures in that the characterizations tend to be general and the policies being pursued are in any case difficult to classify as they tend in different directions. We turn to an older but under-used framework – Wolfgang Streeck's (1995) differentiation between market-making and market-correcting social policy. This has the advantage of having been developed specifically in relation to EU social policy. Streeck argues that the economic and market nature of European integration, as set out in the Treaties, favours a form of social policy that is oriented to integrating the EU labour market and mandates the use of social policy mainly to enable efficient market functioning. The driving motor of reform here includes the removal of regulations and barriers to trade and unfettered competition, making for a model of social policy that supports a deregulation of employment, cuts back on non-market-oriented benefits and services, downgrades income redistribution, and reframes social policy around activation and human capital development. Market-correcting measures, on the other hand, aim at ameliorating market outcomes (or negative externalities) and call for redistributive

intervention in line with standards of adequate income, social protection and even social justice. Such policy may be market-distorting (Streeck, 1995, p. 34) in aiming for the 'greater good' of less inequality, compensation and social inclusion.

Second, to analyze how EU actors can advance social policy within the structural and political conditions of the European Semester, we draw from the critical realist understanding of the relationship between structure and agency. Following several key authors, this perspective disentangles the relationship between structure and agency as a continuous interplay among the intentionalist agency of political actors and the structural context of institutions (Bulmer and Jonathan, 2016; Dessler, 1989; Wendt, 1987). Social structures pre-exist the agents who act within their field, are relatively enduring, and thereby provide constraints upon the exercise of agency. Meanwhile, agents possess their own irreducible powers, notably intentionality, reflexivity, consciousness and capacity for strategic action. They may not choose the structures in which they operate, but they are aware of their environment and have an ability to take this into consideration when exercising agency. Policy outcomes, therefore, occur in a context where the structural properties of enablement and constraint combine with the agential powers of action and purpose to produce outcomes. Such outcomes may lead to the reproduction of existing structures, or they may occasion a transformation of the *status quo*; the possibilities remain open but are context dependent. This approach recognizes that, while political agency can, and does, have an impact on policy decisions, it does not foretell the extent to which agents can take forward their aims and objectives because this depends on the procedures and agentic possibilities obtaining within the governance structure.

## II. Methodology and Evidence

As mentioned, our analysis is based on a range of evidence, including an analysis of CSRs issued between 2011 and 2015 and material obtained through interviews with key actors.

In terms of assembling the CSR evidence universe, all 656 CSRs issued to Member States between 2011 and 2015 as part of the European Semester were assembled into a database. The next step was to identify those that were 'social'. The selection was based on: a) whether the general theme(s) of the CSR came within the Europe 2020 process (that is, broadly amenable to social and employment policy action within EU terms and conventions), and b) the specific orientation of the CSR (determined on the basis of latent thematic analysis). In other words, the key exercise here was to determine inclusion or exclusion on the basis of whether the policy domain or problem was social in nature and hence amenable to a social policy framing and action. The underlying logic is that the comparison would be flawed were it to include problems or areas that are highly unlikely to be addressed by social policy (such as budget deficit) and are by definition market making. For the purpose of conceptualizing social policy, we relied on the EU convention and practice, which conceptualizes social policy as including employment policy, education and training policy, equality policy, health and long-term care, pensions, and poverty and social exclusion. Following this line of analysis, over half of the CSRs were excluded from the analysis. While no CSR was excluded simply on the basis of theme or focus, there was a thematic patterning to the exclusions. Typically excluded CSRs focused on budgeting and fiscal governance, banking regulation and

refinancing, physical infrastructure and energy, tax reform, the organization of trades and the professions, reform of the administrative and legal systems, and the opening-up of public services to competition. The scale of the exclusions is itself indicative of the focus of the CSRs on areas of policy that are not social. This left 290 CSRs out of 656 for our analysis. This very strict delimiting of the relevant CSR universe allows for a high-level test of the degree of ‘socialization’ of EU policies in that only those issues/CSRs that are amenable to both a market-correcting and a market-making perspective are included.

As outlined above, for classification purposes we draw on the primary analytic differentiation between policy that is market correcting and that which is market making. However, such a binary division, while useful, is too crude to represent the complexities of EU social policy. Hence, working with the idea of a continuum that ranges from market-correcting provisions at one end to market-making, barrier-removal measures at the other, we devised a three-fold classification:

1. Market correcting – the issue(s) or subject(s) in the CSR is treated as a problem that requires greater state engagement and/or resources, even if this involves market-distorting elements (with ‘market’ understood here as both market competition and labour market participation);
2. Market making – measures that involve reforms that reduce regulation and other rules, narrow or cut entitlements or conventions that are seen to be barriers to market competition and labour market participation, and/or open formerly public or state domains to market or other forms of private provision;
3. Mix of market correcting and market making – recommendations that tread a middle way by suggesting policies that are both market correcting and market making.

In order to apply this categorization to allocate the CSRs, we conducted a latent thematic analysis of each one taken as a whole. The purpose of this approach is to identify the underlying ideas, assumptions and conceptualizations that shape the content of the CSR and inform the policy direction and solution (Ryan and Bernard, 2003, pp. 86–87). Analyzing CSRs through latent thematic analysis involved interpretative work and this was undertaken in a two-step process. First, each CSR was broken down into its individual elements and these were examined carefully for meaning and content. In a second iteration, we coded each CSR overall into one of the three categories above on the basis of how the individual elements cohered and the overall balance between suggested actions. Therefore the allocation was determined not alone by the policy subject or even set of policy subjects but, rather, by the general orientation taken as a whole and especially the policy direction suggested (as well as the rationale or purpose if this was stated). Each recommendation was allocated to only one category. Categorizing the CSRs in this qualitative way involves a threshold judgement. Hence the results need to be interpreted with care (Ryan and Bernard, 2003, p. 87) – not only because some CSRs are complex and ambiguous (they can be ‘umbrella’ or catchall by design and do not always state a specific policy solution or rationale) but also because policy is complex and rarely targets only one outcome or rigidly follows a philosophical blueprint. In cases where it was necessary we exercised such judgements based on the overall orientation decided on the basis of quantitative preponderance. Where a number of orientations were present in roughly equivalent degrees, the CSRs were allocated to the ‘mixed’ category. Table 1 presents



Table 1: Distribution of the Social CSRs Classified along a Market Correcting–Market Making Continuum (2011–15)

<i>Year</i>	<i>Market Correcting</i>	<i>Mixed</i>	<i>Market Making</i>	<i>Total N</i>
2011	-	48% (27)	52% (29)	56
2012	9% (6)	52% (34)	39% (25)	65
2013	8% (5)	53% (32)	39% (24)	61
2014	6% (4)	59% (39)	35% (23)	66
2015	12% (5)	50% (21)	38% (16)	42
	7% (20)	52% (153)	41% (117)	290

the summary results. In addition, the allocation of the CSRs is made available in an online Appendix available at the journal website.

It is worth repeating here that the purpose of the analysis is to understand the aggregate orientation of the CSRs. Hence we are viewing the CSR as not just functional – in the sense of the EU identifying and suggesting correctives to Member State policy weaknesses – but also as ‘political’. Therefore the policy subject or label itself was not taken at face value as indicating the direction of policy; rather it was how the subject issue was constructed and ‘packaged’ especially in terms of the policy problem and solution.

The second plank of the evidence consists of 29 semi-structured interviews conducted in Brussels in late 2015. Interviewees were chosen because they were directly involved with EU social policy and/or the European Semester. They included high-ranking officials in a range of Directorate Generals (DGs), members of relevant EU-level committees, permanent representatives from 11 Member States, members of the European Parliament and representatives of the social partners and Non-Governmental Organizations (NGOs) (see list in the online Appendix). The purpose of the interviews was to gather first-hand evidence on developments. Interviewees were asked to elaborate on their experience of how the European Semester is governed from a social policy perspective, the constraints on and limitations of the governance arrangements, and how these are addressed or might be overcome. The interviews were analyzed thematically, through a systematic iterative process whereby the main themes were identified in relation to each of the two research questions.

### III. The CSRs

In terms of the orientation or focus of the CSRs, as can be seen from Table 1, it is ‘mixed’ CSRs that dominate, averaging at some 52 per cent of all social CSRs over the five years. This pattern is also generally consistent in individual years except for 2011 after which there was a discernible move to more mixed and market-correcting CSRs. It is insightful to disaggregate further.

In terms of market-correcting mechanisms, as the table shows this was by far the minority approach with not more than 10 per cent of social CSRs in any year (and 7 per cent on average over the course of the five years) espousing a market-correcting approach. The temporal patterning makes clear that it was only from 2012 on that the CSRs had a recognizable market-correcting orientation, but their number has remained relatively small with no noticeable increase in subsequent years. In terms

of theme and substance, the CSRs in the market-correcting category tend to cohere around recommending expanded and/or better organized social assistance and educational measures for disadvantaged groups (especially Roma, poor children, early school leavers and those excluded or marginalized). The 2013 recommendation to the UK is an example:

*Enhance efforts to support low-income households and reduce child poverty by ensuring that the Universal Credit and other welfare reforms deliver a fair tax-benefit system with clearer work incentives and support services. Accelerate the implementation of planned measures to reduce the costs of childcare and improve its quality and availability.*

It is not so much the targeting of vulnerable groups that renders this CSR a market-correcting one in our frame but rather: a) the rationale being fairness, b) the identification of child poverty as a matter that needs addressing, and c) the general focus on welfare reform and better services (which involve greater state engagement).

Other CSRs classified as ‘market correcting’ include those recommending tackling poverty by reforming the transfer system (social assistance especially) to improve coverage and efficiency (issued to Latvia, 2012, 2013, 2014; Romania, 2014); improving child and family support services so that they offer better support to people (issued to Spain, 2012); ensuring that planned welfare reforms do not translate into increased poverty or child poverty (issued to UK, 2014); supporting and improving early childhood care and education (especially for children from minority backgrounds) (issued to Bulgaria, 2015; Czech Republic, 2012, 2013); increasing the inclusiveness and effectiveness of education (especially as regards early school leaving) (issued to Austria, 2012, 2013; Hungary, 2012, 2013) and reform of the health system for better access by disadvantaged people (issued to Romania, 2014). In terms of the countries to which such market-correcting CSRs have been issued, they are in the main from the Eastern European and Baltic blocs, including Bulgaria, the Czech Republic, Estonia Hungary and Romania especially, but Austria and the UK are also represented as is Spain.

Those CSRs which are classified as ‘mixed’ – accounting for over a half of all social CSRs issued over the period – mainly refer to measures oriented towards enhancing labour market participation and recommend service provision or reorganization for this purpose. They were issued to a broader range of countries than the market-correcting CSRs; in fact, all countries have received a mixed CSR in at least one year out of the five. But the Nordic countries (especially Denmark and Sweden) and the continental European countries (especially Germany and the Netherlands) have infrequently received CSRs relating to activation compared with the Eastern European countries, the Baltic states, the Mediterranean nations and the UK and Ireland.

In terms of substance, social protection does figure here but ‘protection’ is framed as being secured through labour market participation, either in regard to obtaining income or as a means to gaining rights to benefits, rather than through the transfer system. Commodification of labour is widely endorsed. Of course for them to be classified as ‘mixed’ they must also have an orientation towards correcting the market – in this regard a number of the CSRs are focused on the problems of disadvantaged groups (with disadvantage often conceived as labour market disadvantage). But what marks these out as ‘mixed’ rather than as ‘market-making’ is that they envisage a supportive role for the state and the public services in enabling people to improve their skills and obtain access to the labour market. One finds frequent mention of women’s labour market access here as well

as that for youth, unemployed people or those with low skills or education. Better services and skills are the perceived solutions. Countries are asked to provide a suite of measures such as training, tailoring or customizing support in the image of a 'pathway' to employment; improving public employment services; improving childcare services; better apprenticeship and training provision; removing incentives to stay out of the labour market; addressing perceived structural problems in the labour market such as lack of flexibility and segmentation. Overall, measures here are endorsed not for social cohesion or equity purposes solely but for the contribution they also make to market development and financial independence.

The last – 'market making' – category is where we see the EU operationalize a market-first approach through a variety of measures oriented to the removal of 'barriers' to heighten competitiveness of labour and other market factors, and improve efficiency and effective governance of the economy and labour market. Among the policy responses that recur here are measures to reduce labour market segmentation (especially those caused by protections for specific groups of workers), freer (minimum) wage setting and indexing arrangements, and deregulation of employment.

Pension reform is an especially frequent focus here. The pension-related CSRs tend to be mainly classified as 'market making' not because of the topic but because of the approach generally recommended. A longer working life is almost universally recommended as is the curtailment or abolition of early exit from the labour market. These CSRs also made frequent reference to the generosity of pensions, not in terms of adequacy (those pension-related CSRs that referenced 'adequacy' and 'fairness' as a reason for reform were coded as 'mixed' or as 'market correcting' depending on the context) but rather that they should not be set at a level to discourage labour market participation. Another theme was the availability of second tier or private pensions, with countries being encouraged to ensure a second tier. Furthermore, a recommendation to cut the number of sectoral or occupational specific pensions was also quite common. In addition to pensions, reform of the system of wage bargaining and wage indexation was a common theme. One of the central principles here was that wage growth better reflect developments in labour productivity and competitiveness. Equally, it was commonly recommended that developments relating to the minimum wage should be consistent with the objectives of promoting employment and competitiveness. One other recommendation found here endorsed measures to improve the cost-effectiveness and functioning of the health and /or education systems.

We now turn to the second research question which probes the agency and structural conditions which have led to these outcomes.

#### **IV. The Structural and Agentic Factors at Play**

The first point to note is that, even prior to the eurozone crisis, the structural conditions for advancing market-correcting social policy at the EU level were weak. On balance, our interview evidence tends to corroborate that of Crespy and Menz (2015) and others to the effect that, except for Laszlo Andor, European Commissioner for Employment and Social Affairs between 2009 and 2014, the College of Commissioners under both Barroso Commissions systematically downgraded social Europe as a market-correcting project (the latter a position which had had considerable supporters during the early years of the Lisbon Strategy) (Copeland and Daly, 2012). Hence, when the EU poverty target



was introduced as part of Europe 2020, it was in a relatively weak position. In the earliest period of Europe 2020 also, the 2007/2008 financial crisis had spilled over into a sovereign-debt crisis and tackling poverty and social exclusion was not deemed a priority. Rather than addressing the social consequences of the crisis, between 2011 and 2013 the EU undertook a series of legal and governance changes aimed at extending and strengthening the powers of the European institutions to monitor, co-ordinate and sanction Member States on their economic and budgetary policies. The aim was to reduce government spending and debt, both of which were conceived as being unsustainable. To appreciate the structural conditions and ideological orientations within which EU social policy was configured in this period, it is necessary to outline these reforms more fully.

The so-called 'Six Pack' of 2011 reinforced the preventive and corrective arm of the Stability and Growth Pact through more stringent requirements on Member States to restrict borrowing to the 3 per cent of GDP deficit limit and government debt to 60 per cent of GDP. One key part of the Six Pack is the Macroeconomic Imbalance Procedure (MIP) which, pertaining to all Member States, centres upon a set of early alert procedures whereby the Commission reviews the situation of each Member State, per a scoreboard of 11 primary indicators. Only one of these indicators concerns itself with what we might think of as a problem that could be addressed through a market-correcting policy – the three-year average unemployment rate. But, this indicator can only serve as guidance and cannot trigger the Procedure (unlike the other 10 indicators).<sup>1</sup> If there is sufficient evidence based on the indicators taken as a whole, an in-depth review forms the basis for further steps under the Procedure.<sup>2</sup> The Six Pack also introduced reverse qualified majority voting for most sanctions whereby a recommendation or proposal of the Commission is considered adopted in the Council unless a qualified majority of Member States votes against it. Adding a further layer of discipline and cementing macroeconomic policy as the dominant concern is the Treaty on Stability, Coordination and Governance, or 'Fiscal Compact' as it became known. The Compact – added in 2012 – is an intergovernmental agreement establishing the 'balanced budget rule' whereby national budgets should either be in balance or surplus and can only be in deficit during exceptional circumstances. The Compact is compulsory for eurozone members and optional for non-eurozone members. The Compact also introduced an automatic correction mechanism for significant deviations from the medium-term objective (with a limit of 0.5 per cent of GDP placed on structural deficits).

Europe 2020 – and therewith the poverty and social exclusion target among other targets – was integrated into the above governance hierarchy. This meant that the script, according both to the social actors interviewed and a review of the key documents, was that 'budgetary discipline takes priority' (Interview 3) within the Semester and Europe 2020 – although the social actors did not necessarily accept this passively as we shall see below. The implication for the CSRs though is that 'governments link developments

<sup>1</sup> The MIP has several auxiliary indicators which include percentages of people at risk of poverty and social exclusion before and after social transfers, material deprivation, low work intensity households, and the number of young people neither in employment nor education and training. Importantly, they are ancillary, do not form the core of the 11 indicators, and have not been used to prompt corrective action.

<sup>2</sup> The Commission may propose that the Council issues recommendations to countries identified with imbalances which could lead to an enhanced process of specific monitoring or entry to the Excessive Imbalance Procedure, which can eventually lead to financial sanctions for euro area Member States in case of repeat lack of compliance with obligations.

in their welfare states, [such as spending] to developments in the macro-economy' (Interview 12, also confirmed by interviewees 8 and 16). Several interviewees claimed that, while the linking of budgetary, economic and social policies is a good idea in principle, the prioritization of budgetary discipline as an underpinning of social policy is a problem because it 'does not give the freedom to explore different social policy options' (Interview 12, also confirmed by interviewees 3, 6, 7 and 25). In other words, it constrains the field of options.

But even before the developments associated with the Six Pack and MIP and so forth, EU social policy was in a weak position, especially institutionally. Here let us note the absence of the social OMC – the 'soft' method of policy-making that had achieved a prominent place in the Lisbon Strategy for policy-making on poverty and social exclusion, pensions and health and social care – at the launch of Europe 2020. Its absence meant that there was no specific governance process for social policy. The Social Protection Committee – the body of national civil servants which guides and reviews social policy-related developments at EU level – was not specifically given a role at the outset either. Further, there was no provision made for 'social reporting'. The architects of Europe 2020 apparently saw little reason for a separate reporting or governance process for social policy (and explicitly poverty and social exclusion and the other social areas that had been prioritized under Lisbon) (Zeitlin and Vanhercke, 2018, p. 8). Thirdly, Europe 2020 located action on poverty and social exclusion within employment and this shifted the underpinning legal mandate and rationale from the Social Policy Chapter of the Treaty on the Functioning of the European Union (the one setting out the social OMC) to the Economic and Employment Chapters (Schoukens et al., 2015, p. 13). The significance of this is that, while it may have given Europe 2020 more leeway for enforceable action in the social policy field, it slants, if not biases, the measures taken towards serving market participation and market-making ends.

While the structural conditions surrounding EU social policy and the Semester explain why some 40 per cent of the social CSRs are 'market making', they are unable to account for the market-correcting focus of some CSRs, either in their own right or as mixed. For this we need to consider the agency of EU social actors, to enquire into how they navigated and negotiated the European Semester, the opportunities they created and pursued and what motivated their agency. Our evidence suggests four interdependent explanans here – the political pressure emanating from Commissioner Andor and his team for a stronger market-correcting approach; learning on the part of social actors on the need to, and how to, mimic macro-economic governance procedures; tempering of expectations and approach by the social actors to gain status for and achieve social outcomes in the Semester; and lack of agreement among Member States and their representatives over the most appropriate type of social policy approach.

Commissioner Andor was a strong proponent of a more social European Semester. During the penning of the MIP, for example, it was he who had pushed for the inclusion of the unemployment indicator. In the early years of the Semester his team continued to argue for the EU to tackle social issues, emphasizing the need for a more radical approach to the poverty and social exclusion target and for the EU to move forward with the establishment of social rights and the creation of a European social insurance scheme (Andor, 2014). Pressure was also being exerted by the broader set of social actors. The social NGOs – especially the European Anti-Poverty Network – and the European Trade

Union Confederation were pushing for a stronger process in poverty and social exclusion (with some support also from the European Parliament) (Interviews 5, 21, 26). This paid off in that halfway through the first European Semester year (June 2011) the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO) decided to reintroduce the social OMC to support progress around the Europe 2020 targets (especially that relating to poverty and social exclusion). The impetus for this came mainly from the Social Protection Committee (European Council, 2011). A result was the revival of the National Social Reports that Member States had been required to submit during the Lisbon Strategy. Commissioner Andor and his team were also significant in helping to overcome the marginal role accorded to the Social Protection Committee at the outset when it was limited to communicating its position on matters to the Economic Policy Committee and the Economic and Finance Committee via the Employment Committee. The pressure exerted by Commissioner Andor and his team enabled a growing pattern of common working between the Social Protection Committee and the Employment Committee, and, as time went on, the Economic Policy Committee and the Economic and Finance Committee (Interviews 5, 18, 23). In effect, the Social Protection Committee was brought back into the governance mainstream of the European Semester in 2013 and was also given the opportunity to participate in the review of both the National Reform Programmes and the CSRs. This helps explain the growth in mixed CSRs especially.

However, Commissioner Andor's expansive vision of social policy encountered roadblocks. President Barroso took a quite different position. In his 2012 State of Union Speech, Barroso acknowledged that in some parts of Europe there was a real 'social emergency' with rising poverty and massive levels of unemployment (Barroso, 2012). This appeared to signal a shift towards a rebalancing of the European Semester so that market-correcting mechanisms could sit alongside the budgetary discipline and market-making orientation of EU social policy. The Commission's launching of both the Youth Guarantee and the Social Investment Package could be interpreted as signals in this direction. However, the prime orientation of these is towards market-making rather than market-correcting goals. And the measure which evolved to address the crisis of poverty – the Fund for European Aid to the Most Deprived, worth over €3.8 billion (in real terms) for 2014–20 – did not advance a market-correcting approach for it was designed as an emergency, in some respects even symbolic, measure to tackle the most severe poverty and involved no social policy reform.<sup>3</sup> As several interviewees argued, a socializing of the Semester would require a 'social imbalances procedure' that would sit alongside the MIP (Interviews 6, 10, 11). Were this in place, benchmarks would be set for social issues and corrective action taken were these indicators breached.

A second part of the explanation was the strategy adopted by Andor and the Country Teams in DG Employment, Social Affairs and Inclusion to adopt practices of evidence gathering and reporting that had become central to the CSR process in macro-economic policy and employment. As noted by one interviewee, 'it all started because social actors,

<sup>3</sup> The Fund aims to, among other things, help homeless people and materially-deprived children, provide food, clothing and other essential goods. This – coming in the wake of the economic crisis and the promotion of austerity policies by the EU – could be characterized as an emergency response to a rapidly worsening poverty situation. Its relation to the more canonical EU response to poverty is ambiguous at best, as it was introduced outside of Europe 2020 and the European Semester and it coincided with the discontinuation of the EU's food distribution programme at the end of 2013 (as a result of the depletion of the agricultural surpluses).

particularly the Social Protection Committee, needed to arm themselves for the mountain of evidence collated by DG Economic and Financial Affairs and the Economic Policy Committee' (Interview 1). The idea was to ensure that proposed CSRs were backed by the kind of robust evidence used in other policy fields and thereby to make it difficult for the Economic Policy Committee to reject them on grounds of insufficient evidence. The establishment of the Social Protection Performance Monitor in 2012, which includes some 20 poverty and social exclusion indicators, helped in making for more mixed CSRs as it was a start towards providing both the grounds and evidence. Another development that contributed to better social evidence was the Joint Assessment Framework (an indicator-based assessment system to assess and monitor progress in the employment-related guidelines of Europe 2020), on the production of which the Social Protection Committee had worked with the Employment Committee. In addition, in 2013 the Social Protection Committee (together with the Employment Committee and at the request of the EPSCO and the Commission) developed a Social Scoreboard (comprising five indicators: unemployment; youth unemployment; real disposable income, at risk of poverty rate for the working age population; inequality (s80/20)).<sup>4</sup> These developments help explain why there were more market-correcting and mixed CSRs from 2012 on.

As these developments were taking place, social actors from the Country Teams in DG Employment, Social Affairs and Inclusion could and did draw from the newly-developed evidence base to 'upload' preferred CSRs. However, this could not bring about a radical change for by all accounts the Country Teams engaged in a form of self-censoring to fit the CSRs within the parameters of macro-economic governance – the third factor that helps to explain the developments regarding the CSRs. To fully appreciate this, it is necessary to understand the processes and power hierarchies associated with agreeing and finalizing the CSRs. From 2013 the Country Teams in DG Employment, Social Affairs and Inclusion were responsible for the first drafts of the social CSRs. These drafts are then funnelled through the Director General of the DG up to the Secretariat General, where they are placed in a hierarchy, prioritized and redrafted. This redrafting process is important, especially given the strategic relationship that developed during the crisis between the Secretariat General and DG Economic and Financial Affairs.<sup>5</sup> This relationship is one that not only prioritizes market-led integration but serves as a checking mechanism to ensure that policy emanating from Brussels in the context of the Semester sends appropriate signals to financial markets that Member State spending is being reduced and under control. As noted by one respondent: 'During the worst years of the crisis the Commission was especially aware of the risk of issuing CSRs that called for more spending and this was something it would not do. This remains the case given the pressure that national budgets are under' (Interview 21).

The Country teams in DG Employment, Social Affairs and Inclusion are required to operate within these hierarchical and ideological confines in the drafting of the CSRs. Social actors aiming at market-correcting CSRs need to find 'good economic arguments for social issues' (Interview 25) and need to create 'efficient' poverty and social exclusion strategies in a 'cost neutral' way. This puts a limit on what can be achieved and is evident

<sup>4</sup> Moreover, the 2014 Alert Mechanism Report included nine new auxiliary indicators (see footnote 1).

<sup>5</sup> The Council can make amendments to this final list of CSRs – see Zeitlin and Vanhercke (2018).

in the relatively few pure market-correcting CSRs and the tendency to combine market-correcting and market-making proposals in CSRs. When questioned about this, interviewees underlined the view that despite limited vision and breadth within CSRs, it is better to have something social emerging out of the Semester than nothing at all (Interviews 4, 5, 8, 15, 18, 21). These developments suggest a pragmatic approach and are core to the explanation for why the main movement towards a more market-correcting oriented approach came in the form of a compromise on mixing approaches and why market making is such a strong orientation in the CSRs.

There is another factor we want to draw attention to here as well – the lack of political support for and commitment to a market-correcting form of social policy among the Member States more broadly. The interviewees underlined the significant political divisions over which type of social policy should be pursued and indicators of progress chosen. At root are profound differences in the approach to and prioritizing of social protection, not just among the Social Protection Committee members but also among Member States. As one interviewee noted: ‘The causes of poverty are complex and Member States do not agree on this. Compare this to the causes of unemployment on which there is more agreement’ (Interview 8). Other interviewees expanded on this point by highlighting policy divisions within the Social Protection Committee, making the point that these are no longer interpretable in such familiar terms as a ‘north–south’ or ‘east–west’ divide. Indeed, some northern Member States (Sweden, Germany and the UK) are reportedly opposed to EU activity in social policy because of concerns surrounding ‘issues of competence creep’ (Interview 25). Eastern European Member States are said to adopt a more middle-ground position regarding social policy. They were initially opposed to the poverty target, for example, but are said to have become more open to CSRs in the social field providing they are cost neutral (Interview 1). These kinds of debate and division crystallize the tensions between a market-correcting as against a market-making approach. In essence, whether employment *per se* is an adequate route out of poverty is an open question among the EU’s social actors (and according to one interviewee a closed one among its economic actors – Interview 11). Our evidence suggests that southern Member States have become more opposed to pursuing EU social policy in the Semester for ‘fear of giving up autonomy in the field and having it more explicitly linked to macro-economic policy’ (Interview 8). In the words of representatives from two southern Permanent Representatives: ‘this will give the keys to the Economic and Finance Committee’ and ‘we always lose when it comes to battles with them’. These divisions hinder the ability of the more social actors to speak with a single voice at EU level, with the result that the ‘EPSCO has real problems driving the social agenda because its conclusions are always a compromise’ (Interview 6). They also tilt in the direction of compromise (as in the mixed CSRs) or the status quo (as in the market-making ones).

## Conclusions

Europe 2020, the European Semester, and the various reforms to the EU’s macroeconomic governance represent substantial change, not only for how the EU is governed, but for the development of EU social policy. This article has argued that a full understanding of developments in EU social policy under the European Semester requires a broad analytical lens that encompasses both the type of social policy being advanced and the



relationship between the structural context and political agency. Focusing on an analysis of the content and orientation of the social CSRs as well as institutional developments and information from 29 interviews about political agency and underlying motivations, the evidence reviewed demonstrates that social actors have been able to advance EU social policy under relatively unfavourable conditions. The achievements have included the development of a stronger governance process for social policy, some strengthening of market-correcting CSRs and a greater mixing of market-correcting and market-making orientations in the CSRs.

We suggest that the degree of progress in ‘socializing’ EU policy over the last five years has been conditional and contingent. The priority of the European Semester is to enable stronger EU-level monitoring and surveillance of the economic and financial situation in the Member States, centering on the aim of placing balanced budgets at the heart of the decision-making process. There are two main outcomes of note for social policy. First, a market-correcting version of social policy on its own is rare in comparison to a market-making agenda or ideology. Second, social policy orientations are not fixed or single track – the most common policy direction in the CSRs is to mix market-correcting and market-making orientations. While this demonstrates the continued political contestation around EU social policy, it also means that the last five years have been dominated by measures and recommendations that support market functioning, promote competition, and incentivize labour market participation and flexibilization. This finding counsels caution in the interpretation of the degree of progress being made around EU social policy in the European Semester. There are two opposing currents and most often EU policy as expressed through the CSRs is a mix of the two.

We have identified four lines of explanation for these outcomes: the political pressure emanating from Commissioner Andor and his team towards more market-correcting measures which was met by strong counter forces; learning on the part of social actors on the need to, and how to, adopt macro-economic governance procedures to gain credibility and status in the Semester; the adoption of a moderate social policy position on the part of the social actors in order to achieve any social outcomes in the Semester; and lack of agreement among Member States and their representatives over the most appropriate direction for EU social policy and lack of commitment towards a role for EU social policy in correcting for market outcomes.

How likely are developments to continue on a similar trajectory? This remains unclear and the current signals are rather mixed. President Juncker has called for a deepening of the social dimension of Monetary Union, and the pillar of social rights has now been launched (European Commission, 2017). This seems to indicate a more market-correcting approach in that it emphasizes social rights and sets out principles and rights to support ‘fair and well-functioning labour markets and welfare systems’. It is not easy to read this or to predict how it will play out in practice. It may be indicative of a growing awareness at EU level of rising political discontent among European citizens at the consequences of austerity policy. It may also mirror concerns around the significance of Brexit. It is also hard to avoid the scale and persistence of the EU’s poverty and social exclusion problem – 23.7 per cent of the EU’s population was at risk of poverty or social exclusion in 2015 with some 17 per cent experiencing income poverty (Eurostat, 2017). It may be that the increasing prevalence of poverty and social exclusion may exert a growing problem pressure on EU leaders and the European Commission. If the social actors in the Commission can gain

broad support for social policy objectives in their own right, they may be able to overcome the powerful political and anti-welfare state tendencies that have been strengthened across the EU since 2010 and have served to delegitimize a market-correcting model of social policy. On the other hand, the division among the social actors (at national and international levels) and the dominance of a market-making rationale for social policy may result in even greater power and influence for the economic actors in EU governance processes. If so, this suggests that social Europe will remain within a ‘market first’ approach.

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**Appendix: List of Interviewees**

(Interview 1) A Representative from the European Commission Secretariat General (15/10/2015)

(Interview 2) A Representative from the European Commission Directorate General for Employment, Social Affairs and Inclusion (21/10/2015)

(Interview 3) A Representative from the European Trade Union Confederation (21/10/2015)

(Interview 4) A Representative from the European Commission Directorate General for Employment, Social Affairs and Inclusion (21/10/2015)

(Interview 5) A Representative from the European Commission Directorate General for Employment, Social Affairs and Inclusion (21/10/2015)

(Interview 6) A Representative from a Permanent Representation to the European Union (22/10/2015)

(Interview 7) A Representative from a Permanent Representation to the European Union (22/10/2015)

(Interview 8) A Representative from a Permanent Representation to the European Union (23/10/2015)

(Interview 9) A Representative from a Permanent Representation to the European Union (23/10/2015)

(Interview 10) A Representative from a Permanent Representation to the European Union (27/10/2015)

(Interview 11) A Representative from a Permanent Representation to the European Union (27/10/2015)

(Interview 12) A Representative from a Permanent Representation to the European Union (28/10/2015)

(Interview 13) A Representative from a Permanent Representation to the European Union (28/10/2015)

(Interview 14) A Representative from a Permanent Representation to the European Union (28/10/2015)

(Interview 15) A Representative from a Permanent Representation to the European Union (29/10/2015)

(Interview 16) A Representative from the European Commission Directorate General for Employment, Social Affairs and Inclusion (30/10/2015)

(Interview 17) A Representative from BusinessEurope (02/11/2015)

(Interview 18) A Representative from the European Commission Directorate Economic and Financial Affairs (4/11/2015)

(Interview 19) A Representative from a Permanent Representation to the European Union (4/11/2015)

(Interview 20) A Representative from a Permanent Representation to the European Union (5/11/2015)

(Interview 21) A Representative from the European Commission Directorate General for Employment, Social Affairs and Inclusion (05/11/2015)

(Interview 22) A Representative from a Permanent Representation to the European Union (6/11/2015)

(Interview 23) A Representative from the European Commission Directorate Economic and Financial Affairs (9/11/2015)

(Interview 24) A Representative from the European Commission Secretariat General (9/11/2015)

(Interview 25) A Representative from the European Commission Directorate General for Employment, Social Affairs and Inclusion (10/11/2015)

(Interview 26) A Representative from the European Commission Directorate General for Employment, Social Affairs and Inclusion (10/11/2015).

(Interview 27) A Representative from the European Commission Directorate Economic and Financial Affairs (10/11/2015)

(Interview 28) A Member of the European Parliament (Party of European Socialists) (12/11/2015)

(Interview 29) A Representative from a Permanent Representation to the European Union (18/12/2015)

### **Supporting Information**

Additional Supporting Information may be found online in the supporting information tab for this article.

**Technical Appendix:** Country Specific Recommendations (CSRs) classified according to whether they are Market-Correcting, Mixed or Market Making, 2011 to 2015 (year and country issued to)