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Institutional and societal players should raise their voice: the time for an ambitious Social Imbalances Procedure is now



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Abstract

Confronted with formidable challenges such as the consequences of the Covid-19 pandemic and the Russian invasion of Ukraine, climate change and the green and digital transitions (to mention just a few), the European Union (EU) needs to show unprecedented ambition. It appears crucial for future initiatives to ensure social fairness and social cohesion in the EU and its Member States. EU policymaking should therefore be made more consistent and coherent, with simultaneous and balanced pursuit of the EU's social, economic and environmental objectives. In this respect we argue that the EU social toolbox should be significantly strengthened, and the setting-up of a 'Social Imbalances Procedure' (SIP) would be an important step in this direction. In this Opinion Paper, we reconstruct the key steps and main issues in the debate on a possible SIP taking place at the institutional level in the autumn of 2022, following a joint proposal by Belgium and Spain in spring 2021. This debate – involving the Employment and Social Affairs Council and its advisory committees – recently led to the creation of an ad hoc SIP Working Group, with a view to launching a pilot to test the practical modalities of such an instrument. The SIP, we believe, has a fair chance of being adopted, but its fate is undecided. While a majority of Member States seem in favour of the idea, a strong minority remains opposed to it. Against this background, we call on EU and national institutional and societal actors committed to strengthening 'Social Europe' to take a stance and act in support of an ambitious – as opposed to watered-down – future SIP. A window of opportunity is currently open, and this is the moment to act.

Introduction: Political support on the rise – but the outcome is still fragile ⁽¹⁾

Those observers who followed the debate between the EU ministers responsible for employment and social affairs during the 16 June 2022 Employment and Social Affairs (EPSCO) Council through live [streaming](#), were in for a surprise. Encouragingly, the proposal to launch a 'Social Imbalances Procedure' (SIP) – tabled by Belgium and Spain in spring 2021 – gathered considerable political traction. During the public debate, ministers from seven Member States ⁽²⁾ confirmed their explicit support for a future SIP. An additional nine ministers ⁽³⁾ declared that – despite some reservations and without pre-empting a political decision – they would support (or at least not oppose) further technical work on the proposal, if other countries were willing to go that way. In other words, a clear majority of 16 Member States agreed to continue work on the SIP.

Twelve, then, of the ministers of these Member States explicitly supported the idea of launching a 'pilot', in which countries could participate on a voluntary basis, to test the practical modalities of a possible SIP. This was beyond expectations: the discussions in the EPSCO preparatory bodies over the previous months had been difficult, as reflected in the joint Opinion of the Employment Committee (EMCO) and Social Protection Committee (SPC), presented to the June 2022 EPSCO meeting, where six Member States ⁽⁴⁾ opposed, to varying extents, the idea of a pilot. These differences in views were also clearly voiced during the EPSCO Council by eleven countries who retained an overall negative stance ⁽⁵⁾.

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1. The present Opinion paper draws on a [report](#) (March 2022) by the authors for the European Trade Union Institute (ETUI), careful analysis of recent grey literature on the topic (some 30 draft and final EMCO and SPC reports, policy literature, (non-)papers, government documents, speeches etc.), as well as several interviews with key stakeholders (Council of the EU, social partners, civil society). The authors would like to thank Federico Moja (OSE and University of Milan) for providing invaluable research assistance.
 2. Greece, Italy, Luxembourg, Portugal, Slovenia and (of course) Belgium and Spain.
 3. From Croatia, Cyprus, Czechia, Denmark, Finland, France, Germany, Latvia and Slovakia.
 4. Austria, Hungary, Lithuania, Malta, Poland and Sweden.
 5. Austria, Hungary and Poland voiced the strongest objections, while Bulgaria, Estonia, Ireland, Lithuania, Malta, the Netherlands, Romania and Sweden remained sceptical, without however ruling out, at this stage, a future SIP.

1. In the beginning there was: a Belgian-Spanish proposal

The idea for a SIP is not entirely new: informal discussions on the possibility of strengthening EU social policies by creating a mechanism in the social field parallel to the Macroeconomic Imbalance Procedure (MIP) took place in 2010/2011, notably at the time of the launch of the European Semester. Especially in its initial phase, the Semester was almost exclusively focused on addressing macroeconomic imbalances and excessive public deficits. The possibility of establishing a SIP in the design of the Country-specific Recommendations (CSRs) was then explicitly mentioned, for the first time, by the European Parliament in its [Resolution](#) (26 October) on the implementation of the 2016 priorities of the European Semester. In a [study](#) commissioned by the Workers' Group of the European Economic and Social Committee (EESC) in 2019, the European Social Observatory (OSE) provided the initial conceptual and procedural building blocks for a future SIP, which were summarised in a Social Europe [Opinion](#) (July 2019).

The idea of endowing the EU with an instrument to address social imbalances, however, remained under the radar politically, until the Belgian and Spanish Prime Ministers stirred up the debate, through a '[non-paper](#)' published ahead of the Porto Social Summit of May 2021. The idea was to equip the European Semester with an alert mechanism, based on the Social Scoreboard of the European Pillar of Social Rights, that would trigger a more in-depth follow-up and discussions at committee and ministerial level. The Labour Ministers of Spain and Belgium (both Deputy Prime Ministers in their respective national governments) formally tabled the proposal during the EPSCO meeting on 15 October 2021: the ambition was to have the SIP up and running in time for the 2022 Semester cycle.

The Slovenian Presidency (1 July-31 December 2021) was however hesitant to pick up the SIP-gauntlet, perhaps because only three ministers (from Greece, Latvia and Luxembourg) openly supported the initiative during the October EPSCO policy debate about the future of the European Semester. An additional seven Member States (Bulgaria, Cyprus, Finland, Germany, Italy, Portugal and Sweden) indicated during the debate that the proposal from Belgium and Spain was interesting but would need to be analysed in greater detail ⁽⁶⁾. While the ministerial discussion concerning the Belgian-Spanish SIP proposal was not mentioned among the [main results](#) of the meeting, a reference to future work in EMCO and the SPC on this proposal was included in the European Commission's [proposal](#) for the Joint Employment Report (JER), published on 24 November 2021. Significantly, the explicit reference to the SIP was dropped from the final version of the JER approved by the EPSCO Council, again pointing to Member States' diverging views on the topic.

6. The official website of the President of the Government of Spain optimistically reported that the proposal for a 'Social Alert Mechanism' (as it was then referred to) had been 'warmly welcomed by ministers present at EPSCO'.

2. A mandate from Paris and an ambitious roadmap

Following the backing provided by the October 2021 EPSCO meeting, the incoming French Presidency gave the Chairs of the EPSCO Advisory Committees a comprehensive mandate at the end of January 2022. This mandate included a set of issues to be addressed, each containing detailed questions, paving the way for immediate work on the topic at technical level. This would be done with a view to preparing a joint ad-hoc EMCO-SPC Opinion by May 2022, as requested by the Presidency. The EMCO and SPC Secretariats then proposed an ambitious 'SIP Roadmap', setting out an intense meeting schedule as of February 2022. Following suit, EMCO and SPC held no less than five joint meetings between February and May 2022 to discuss the 'political' aspects of the Belgian-Spanish proposal, including its added value, the concept of social imbalances, the use of existing instruments and integrating the SIP into the Semester.

In March 2022, the EMCO's Indicators Group (IG) and the Indicators Sub-Group (ISG) of the SPC were included in the process. They were tasked by the EMCO and SPC Chairs with starting work in parallel to examine the more 'technical' aspects of the SIP proposal, including the precise definition of social imbalances, the use and timeliness of indicators, how the procedure could be triggered, and how to take account of national specificities when determining social imbalances. The IG/ISG met no less than four times between March and April 2022. These committee meetings were prepared through written consultations and supported by 'technical' notes prepared by Belgium and Spain which responded to some of the Members States' key concerns, refining the initial proposal and suggesting the way forward.

The Secretariats of the EPSCO committees produced essential 'steering notes' (with the key questions for the exchanges between delegations) and summary tables of the views expressed by the Member States. The ambitious roadmap, intense meeting schedule and (arguably unavoidable) rapid delivery of some of the preparatory notes gave some delegations the feeling that the process was being 'rushed'. It is indeed rather impressive that, on such a sensitive topic, the committees managed to provide indications on all the points raised by the French Presidency within such a short timespan. The joint EMCO-SPC [Opinion](#) was adopted as planned in mid-May 2022, in time for the abovementioned 16 June 2022 EPSCO Council and a formal exchange about the topic with the Economic Policy Committee (EPC) on 11 May 2022.

3. Reports of the SIP's death have been greatly exaggerated

The final version of the joint EMCO-SPC Opinion reflects the fact that considerable ground still needs to be covered before Member States can agree on an ambitious future SIP. While some countries expressed their explicit support during the preparatory joint EMCO/SPC and IG/ISG meetings (as reported in the joint EMCO-SPC Opinion), several delegations expressed doubts (and sometimes clear opposition) during these exchanges. Importantly, some Member States questioned the added value and the need for a new instrument (preferring to improve existing ones): they did not see how a SIP would meaningfully improve the analysis and monitoring of employment and social outcomes in the Semester. Concerns were also raised by many delegations about the increased complexity and administrative burden a SIP may impose on countries. A few countries also cast doubts on the feasibility of using Art. 148 TFEU on the coordination of employment policies as the legal base for a SIP and are seeking legal advice on the matter. There was also no agreement yet on the precise definition of social imbalance, although most Member States in the indicator groups saw a need to adopt a broad definition ⁽⁷⁾.

Crucially, important divisions also arose between Member States regarding the ultimate procedural output of the SIP: in the proposal made by Belgium and Spain, the Council, at the end of the process, could adopt CSRs addressing the social imbalances identified, allowing for a stronger prioritisation among employment and social challenges. Several Member States remained opposed to such an explicit linking of the SIP with the CSRs.

According to our respondents, some of these reservations were echoed by the President of the EPC, following the exchange of views between the EPC and the EMCO and SPC Chairs in May 2022. Unsurprisingly perhaps, the EPC was sceptical about the added value of a future SIP and warned against sending out conflicting messages (from the Macroeconomic Imbalance Procedure and a future SIP), while pointing to the budgetary implications of the possible new procedure. Some EPC members also suggested that the term 'social imbalances procedure' should not be used, to avoid 'misleading' comparisons with the MIP. Instead, they suggest referring to a 'social divergence assessment': this suggestion was included as a possibility in a footnote to the joint SIP Opinion. Interestingly, however, during the 16 June 2022 EPSCO meeting, the Luxembourg Social Affairs Minister stated that the European Central Bank (a full member of the EPC) had recently recognised the negative spillover effects of social imbalances and the fact that social imbalances can indeed undermine the integrity of the Economic and Monetary Union (EMU) and the single market. This ECB stance, if confirmed, may influence the future position of Finance Ministers

7. The joint EMCO-SPC Opinion mentions 'Any state or trend severely affecting, or having the potential to severely affect in an adverse way, the labour market and/or the social situation in a Member State or the Union as a whole', while flagging that there are some reservations over including the reference to the Union as a whole (page 5).

regarding a future SIP, particularly given the social concerns linked to the digital and green transitions.

The diverging ('polarised', according to one of our interviewees) views between Member States regarding some aspects of the future SIP led some participants in the EPSCO committee meetings between March and May 2022 to speculate on its chances of survival. Indeed, the disagreement on many detailed aspects and the fact that few Member States openly expressed their support during the Committee meetings – while several did not express a clear position – explains why several participants in these meetings had the impression that things were not moving in a favourable direction for the SIP.

Reports of the SIP's death seem to have been greatly exaggerated. From the outset, there was broad agreement on the need to strengthen the role of the EPSCO Council in the governance of the European Semester (one of the stated aims of the Belgian-Spanish proposal) – and, thereby, the Recovery and Resilience Facility (RRF). In terms of governance, there is also relatively broad support in EMCO and SPC for the idea of the Commission analysing the social imbalances via its proposal for the Joint Employment Report in the autumn (rather than through the Country Reports) ⁽⁸⁾, allowing for discussions and negotiations in the committees ahead of the finalisation of the JER by the March EPSCO. Preparatory discussions in EMCO and the SPC of the country-specific analysis of social imbalances, together with a final ministerial discussion in March, should ensure strong national ownership of the SIP and a stronger role for EPSCO in the Semester.

EMCO and SPC also agree that the discussions in the Committees on possible risks of social imbalances should be integrated into the usual multilateral surveillance activities, as part of the monitoring of the implementation of the European Pillar of Social Rights in the Semester context. Member States are also on the same page as regards the need to define how a possible SIP (which would only have a 'preventive' arm) would interact with the MIP (which also has a 'corrective' arm), partly in view of the presence of labour market headline indicators and social auxiliary indicators in the MIP Scoreboard. Finally, Member States in the EMCO and SPC indicators subgroups tended to agree on a pragmatic stance as regards the indicators to be used to measure social imbalances. The full set of the Social Scoreboard headline indicators would be used to begin with, and this choice would be reassessed later on (possibly moving to a narrower or a broader set of indicators at a later stage).

In other words: there was arguably more agreement among delegations about key technical aspects of the SIP than was generally assumed, allowing ministers to take a more 'political' stance during the 16 June 2022 EPSCO (and the preparatory COREPER meeting). The positive outcome of

8. That is, if the Country Reports remain part of the later Semester Spring Package, though future timing is still uncertain at the time of writing.

the ministers' debate was clearly influenced by the active bilateral and multilateral diplomacy in which the Belgian and Spanish labour ministers had engaged personally during the first half of 2022. The European Trade Union Confederation (ETUC) and the [Social Platform](#) ⁽⁹⁾ also expressed their support for, and mobilised their affiliates in favour of, the future SIP. A more sceptical reading would be that some Social Affairs ministers, especially during a public debate, expressed their support for the pilot project to 'buy time', also in view of the unavoidable consultations with their counterparts in the finance departments. In other words: Member States 'ultimate' positions are difficult to predict at the time of writing.

4. Anchoring the future SIP: a 'pilot' and some pitfalls

Through the discussions on a future SIP, the EPSCO Council formation is affirming its position in the governance of the European Semester, which can be seen as the next step in the '[socialisation](#)' of the process. Now that a majority of the Employment and Social Affairs Ministers have expressed their support for continuing work on the future SIP, a pilot project (initially proposed by Finland) is likely to start at the beginning of next year.

The fact, moreover, that the incoming Czech Presidency (July-December 2022) was cautiously supportive, especially in the Committees, of continuing deliberations on the topic, raises the prospect of testing the instrument in 2023. Most likely, the pilot would need to run in parallel with (but independently from) the 2022-23 European Semester cycle. In this context, Poland warned that 'temporary mechanisms' tend to become permanent, while Hungary expressed its impression that the use of the SIP in the Semester has 'already been decided by some stakeholders', despite some Member States' opposition.

The detailed timing and governance of the exercise became clear on 2 September 2022, when the Czech Presidency (which started on 1 July 2022) issued its mandate, in a letter to the Committee Chairs, to further explore ways for a possible inclusion of a SIP in the European Semester in a joint SPC and EMCO ad hoc SIP Working Group ⁽¹⁰⁾. Importantly, the incoming Presidency underlined that it is important to reconsider and reinforce appropriately the social dimension of the European Semester process. No less than four meetings of the newly established ad hoc Working Group have been scheduled between October and December 2022 (focusing in that period on analytical discussions), in addition to exchanges in the two mother Committees. This analytical work should then culminate, by the end of 2022, in: a) a test of the agreed triggering criteria in the 2023 Joint

9. See also the report by the Social Platform on 'Socialising the European Semester' (September 2022), which can be downloaded [here](#).

10. Member States taking part in the Working Group can freely appoint members from among their EMCO, SPC, IG and ISG representatives.

Employment Report; and b) agreement to organise a pilot – involving a limited number of countries, on a voluntary basis – at the beginning of 2023 ⁽¹¹⁾. Interestingly enough, no less than 21 Member States have so far volunteered to participate in the ad hoc SIP Working Group.

We should not, however, be naïve: important hurdles remain before the future SIP can see the light of day. Even if the pilot leads to positive (and possibly reassuring) results, the final decision also depends on the ongoing Economic governance [review](#), which may result in adjustments to the Macroeconomic Imbalance Procedure. In a context where the structure of future Semester cycles is still unknown and currently under negotiation, some (economic) actors – in national governments and the European Commission alike – may prefer to ‘recycle’ certain (lighter) features of the proposed SIP in a redesigned European Semester, rather than launching a new procedure. The question of possible alternative names (focusing more on social convergence/divergence) figured prominently on the agenda of the SIP Working Group’s kick-off meeting on 7 October 2022. This seems to be a response to the adverse reactions among many economic actors (notably in the Economic and Finance Committee and the EPC), especially in the present context where the effectiveness and automaticity of the MIP are themselves under discussion.

Discussions have not yet considered the important role to be played by social partners, civil society organisations and other relevant stakeholders in the architecture of the SIP. For instance, in its [Resolution](#) on the SIP, the ETUC (2022) has proposed that, if national social partners reach an agreement on policy options and actions to address specific imbalances highlighted by the SIP, European social partner organisations would bring such an agreement to the attention of the Commission and the EPSCO advisory committees, and that the Commission could decide to include those agreements in the proposals for CSRs to be examined by the Council.

11. Six Member States (Belgium, Finland, Germany, Luxembourg, Portugal and Spain) have already indicated their willingness to participate in the pilot in 2023, while several others are expected to join as well. The *ad hoc* Group’s activities are, according to its work programme, supposed to continue until May 2023, with the possibility to renew its mandate.

Conclusion: Institutional actors and stakeholders should raise their voice now

It is urgent to strengthen the social dimension of the EU, in view of the formidable (and interlinked) challenges deriving from the green and digital transitions, from the war in Ukraine and the management of the Covid-19 pandemic. As discussed in a [report](#) for ETUI, setting up a SIP could be an important step in this direction and – as illustrated above – an intense political debate on this possibility is currently taking place, mostly under the radar and with an uncertain outcome.

Following the Czech (second half of 2022) and Swedish (first half of 2023) EU Presidencies, the final decision on the SIP could be taken during the Spanish Presidency in the second half of 2023. It could then be fully integrated into the 2024 cycle of the Semester, under the Belgian Presidency (January-June 2024). In the light of the Member States' positions described above, the ensuing Hungarian (July-December 2024) and Polish (January-June 2025) Presidencies are unlikely to bring this dossier to a successful closure.

As mentioned above, at the time of writing, as many as 21 Member States have decided to take part in the *ad hoc* SIP Working Group. And yet, we know that around ten Member States retain an overall negative stance towards the SIP, although Member States' final positions are hard to predict on such a sensitive issue.

In our view, the SIP has a good chance of being adopted, but its scope is undecided. The real risk is that agreement will be reached on a compromise solution which does not aim (at least to some extent) to mirror or counterbalance the MIP. Institutional and societal actors interested in strengthening 'Social Europe' – including in the European Parliament (which has been surprisingly absent from the debate so far), the European Economic and Social Committee, social partners and civil society – should raise their voices, here and now, contribute to the debate with constructive proposals, and encourage the Czech Presidency of the Council of the EU as well as the European Commission to bring an ambitious SIP to fruition in the coming months. A window of opportunity is currently open, and this is the moment to vigorously seize it.