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European socioeconomic governance in action: coordinating social policies in the third European Semester ([1])

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Abstract

Although new European Union (EU) economic coordination has changed the landscape of governance, the effects on social Europe are still being discussed. Some argue that the EU has lost track of its social aspirations, while others observe a new space for social Europe. This paper clarifies recent governance changes and their possible effects by giving a comprehensive overview of socio-economic coordination in 2013. It shows that within socioeconomic coordination distinct coordination mechanisms interact and consequently influence each other’s goals. Using qualitative content analysis techniques, the paper identifies such interactions both at the target-setting stage of coordination and at the stage of giving recommendations to individual countries. Economic coordination, in particular, has stretched to include social policy issues. Yet, the governance outcomes in terms of country-specific recommendations neither constrain nor develop the EU’s social dimension per se. This means that there is room to make economic and fiscal rules more open to social goals.

Key words: EU social policy, EU governance, European Semester

1. The impact of new economic governance on social domains

The implementation of the EU's stricter economic coordination has been at the centre of scholarly attention. Right after the introduction of new regulations, developments were labelled as a fundamental shift in governance structures, also having an impact on the social domain (Amtenbrink, 2012; Pochet, 2010). Later on, reviews could be based on more empirical material. These analyses confirmed the influence of the new governance regime on member states' social and employment policies. Yet on the nature of this impact scholars disagree. A first reason for this disagreement is that the new socioeconomic governance is still in development. New rules and instruments continue to be implemented and as such the impact of economic governance is likely to differ from year to year. For example, after the Six Pack reforms of 2011, the Two-Pack on budgetary coordination was included in socioeconomic governance activities as of 2013, thus changing the context for coordination. Recent policy documents speak about further developing socioeconomic governance, following ideas to further deepen coordination within the European Monetary Union (EMU) or to improve the Europe 2020 Strategy after its midterm review (European Commission, 2012c; European Commission, 2014; Junker, 2014). If such ideas materialise into policies, the impact of the new coordination package on the EU's social dimension is likely to change again in the (near) future. Moreover, actors in the policy-making arena are only now learning to deal with the full complexity of the new system and are adjusting operations to socioeconomic realities throughout Europe, while deliberating their fit with overall EU goals. An example of the latter is the initiative of the European Commission to revive the EMU's social dimension (European Commission, 2013a). As such, it seems that more time may be needed to determine the consequences of post-crisis governance. A second reason for disagreement is the contradictory evidence about the nature of the effects of new economic governance on social policies, in terms of whether the consequences for social Europe are negative and permanent, or whether there is still scope to develop the EU's social dimension. There are scholars who observe some potential for social Europe (Barcevičius et al 2014; Bekker and Klosse, 2014; Zeitlin and Vanhercke, 2014; Bekker and Klosse, 2013; Vanhercke, 2013), while others present more negative findings on the impact on social Europe (Lopez et al, 2014; Suárez Corujo, 2014; Degryse et al, 2013; Janssen, 2013; Pochet and Degryse, 2013; Clauwaert and Schömann, 2012; Degryse, 2012). An important explanation for this is that findings are likely to differ per type of member state. The so-called programme countries show the most negative influence on social policies. These countries received financial assistance from the International Monetary Fund, the EU and European Central Bank subject to strict conditionality, also entailing drastic changes in social security, such as cuts in pension payments or lower minimum wages (Balamoti, 2014; Doherty, 2014; Kilpatrick and de Witte, 2014; Costamagna, 2012, Clauwaert and Schömann, 2012). Moreover, stricter rules apply for Eurozone countries, as these countries are often liable to fines in the corrective stages of economic policy coordination (e.g. following Art. 126 TFEU). This suggests that the more serious the economic and financial difficulties in a Eurozone country, the greater the pressure to comply with EU demands and to comply with demands to restructure the labour market or to adjust social security. However, although the impact is less severe, surveillance has intensified for non-Eurozone countries also. Soft law policy cycles have become more precise by introducing deadlines for policy responses, developing more detailed policy suggestions and requesting a precise description of national measures and underlying policy steps (Bekker, 2013). Moreover, the country-specific recommendations for national policy reform have changed from being solely recommendations, to having mixed legal bases. From 2011 onwards, non-binding employment and social policy recommendations have been placed on one list with recommendations stemming from economic and fiscal coordination mechanisms (Thillaye, 2013). These latter recommendations are thus attached to coordination mechanisms that impose more obligations on Eurozone countries to comply with the EU targets, in the sense that the regulations make it possible to apply sanctions to Eurozone countries that perpetually fail to meet the demands. However, stricter rules do not necessarily mean automatic changes in national policy responses, and studies still observe leeway for countries to deviate from EU-level recommendations (Bekker, 2013; Zeitlin and Vanhercke, 2014). As such, policy suggestions that hint at negative adjustments to the social model may be mitigated or adjusted to the national context. For instance, actors within policy-making arenas may exert influence on the formulation of recommendations and on decisions concerning sanctions (Vanhercke, 2013). In addition, there may be scope to deviate from the recommendations if these conflict with other goals, such as the overarching targets of the Europe 2020 Strategy (Bekker, 2014). An important task for research is therefore to increase the factual knowledge about ongoing trends and transformations of socioeconomic coordination, and to gain a better understanding of the effects of institutional combinations and policy mixes (Ferrera, 2014). This paper sets out to clarify the current state of affairs by giving a thorough overview of the content and legal background of socioeconomic coordination in 2013. It does so by analysing the interaction of the distinct coordination mechanisms applying in economic, fiscal, employment and social policy domains, which have been tied together in the coordination activities of the European Semester. It builds on literature describing hard and soft law governance, most notably those writings that describe combinations of different governance modes, such as literature on distinct yet interacting coordination mechanisms.

2. Interactions between distinct coordination mechanisms

The Treaty gives quite different competences to the EU when it comes to dealing with fiscal, economic, employment and social policies. Yet in practice such a clear distinction between policy fields is rather difficult to make. For example, economic policies may have social implications, just as social policies have economic or fiscal aspects (e.g. Zeitlin, 2010). As such, distinct coordination mechanisms may apply to similar policy items and this consequently leads to interaction between these distinct coordination mechanisms. While in general employment and social policies have been studied from a soft law or coordination-based governance perspective, such as the principles of the Open Method of Co-ordination (OMC, see e.g. Trubek and Trubek, 2007; Zeitlin et al., 2005), the recent further integration of socioeconomic governance may require a broadening of the scope of exploration, necessitating the inclusion of the more binding economic and fiscal coordination mechanisms in analyses of social OMCs (cf Smismans, 2011; Armstrong, 2013). After 2010, the OMC on employment policies became part of the Europe 2020 Strategy and was integrated subsequently into the European Semester coordination activities. Social policy issues have also been included in the European Semester. The reduction of poverty and social exclusion has become one of the quantitative targets of Europe 2020 as well as an integrated guideline for growth and jobs (Zeitlin, 2010). The European Semester deliberately interconnects economic, fiscal, employment and social policy coordination cycles, partly by carrying out a joint evaluation of the two national reports that member states write to respond to the EU's socioeconomic ambitions, i.e. the Stability and Convergence Plans and the National Reform Programmes (NRP). In a similar vein, the European Semester of 2013 started with the Annual Growth Survey, which prioritises a mix of economic, fiscal, employment and social policies, such as pursuing differentiated, growth-friendly fiscal consolidation, restoring normal lending to the economy, promoting growth and competitiveness, tackling unemployment and the social consequences of the crisis and modernising public administration (European Commission, 2012a). This signals potential interactions between the distinct socioeconomic coordination mechanisms that are joined into one cluster of coordination activities as part of the European Semester. As these coordination mechanisms have different legal bases, the semester is an excellent example of a 'yoking together' of different instruments and coordination mechanisms within one time frame (Armstrong, 2013).

There are several ways to explore interconnections between distinct coordination mechanisms (cf Armstrong, 2013; Smismans, 2011; Trubek and Trubek, 2007; Trubek et al., 2005). This paper especially looks for examples of mutual influence, resulting from the fact that distinct coordination mechanisms address similar topics. In such cases, the same policy items are defined and evaluated from different policy perspectives. For instance, within soft social policy coordination the issue of pensions may be considered as a way to provide decent social security. Yet, simultaneously, pensions may be seen as a relevant item for fiscal and budgetary requirements, as pensions codetermine the level of public spending. Such a mutual influence can have complementary effects if separate instruments pursue common goals. However, rivalry may also occur, rendering a particular view of one coordination mechanism more influential than a conflicting viewpoint of another coordination cycle (Trubek and Trubek, 2007).When rivalry occurs, hard law coordination may prevail, thus, for instance, giving greater importance to pensions as a way to reduce public spending than as a means to prevent old-age poverty (Pochet and Degryse, 2013). As part of the task of unpacking the complex interactions between separate coordination mechanisms for the EU's socioeconomic coordination, this paper does not just analyse single coordination instruments. Rather, it takes into account all the coordination mechanisms that fall within the scope of the European Semester 2013 and seeks to explore how these address similar employment and social policy topics. The choice of the European Semester coordination mechanisms thus broadens the analysis beyond a consideration of soft law governance alone. While implying a broad approach, this choice also has certain limitations, since in the spring of 2013 only 23 EU member states were subject to the European Semester coordination activities. The so-called programme or bail-out countries that signed a Memorandum of Understanding with the Troika did not receive CSRs while subject to a financial assistance programme. In 2013, Greece, Ireland, Portugal and Cyprus were outside the scope of the European Semester (whilst Croatia was not yet a member state in early 2013). The Commission explains the absence of CSRs for programme countries by the more intensive monitoring these countries are subjected to as part of their bail-out package (European Commission, 2013c). The Memoranda of Understanding contain drastic measures as a condition for receiving loans, including changes in social security entitlements and labour law. Although these measures have had severe impacts on the social dimension, they are not part of the European Semester activities and therefore fall outside the scope of this paper. For reviews on the impact on the social dimension of programme countries see for instance Kilpatrick and de Witte 2014, Doherty 2014, Balamoti 2014, Costamagna, 2012.

3. Methodology used to survey the 2013 CSRs

In order to take into account the effects of interactions between distinct coordination mechanisms on social policies, this paper analyses all coordination mechanisms belonging to the European Semester 2013, i.e. the Europe 2020 Strategy, the MIP, the SGP and the Two-Pack. Firstly, to establish the degree of interconnection between separate coordination mechanisms, the paper explores interconnections at the start of the coordination cycle. It does so by establishing whether the four coordination mechanisms address similar employment and social policy topics. Data sources are the EU-level documents and sets of legislation that explain the coordination mechanisms and their goals. Secondly, the paper reviews the degree of interconnection at the stage of policy recommendations. This approach is in line with the European Semester process that starts with the communication of overall guidelines and goals to member states, to which each member state responds by writing down its policy actions in a national reform programme (NRP). The Commission evaluates these NRPs and suggests country-specific recommendations (CSRs) which are then adopted by the Council. As a data source for CSRs, the final versions - endorsed by the Council - have been explored, and these might differ somewhat from the Commission's proposal (Zeitlin and Vanhercke, 2014). In addition, not all policy analyses of the four coordination mechanisms are carried out by the same Directorate within the Commission. For instance, in-depth reviews linked to the MIP are published by DG Economic and Financial Affairs, whereas some social policy fields are, rather, evaluated by the committees of DG Employment, Social Affairs and Inclusion (see also Zeitlin and Vanhercke, 2014). However, such analyses of the internal policy-making processes fall outside the scope of this paper. Rather, the paper concentrates on the officially communicated targets, as set out in the different EU level documents.

The analysis encompasses all country-specific recommendations of 2013 as well as their legal bases, which totals 141 recommendations given to 23 EU countries. Using qualitative content analysis techniques, all CSRs have been read closely in order to identify concepts that relate to social and employment issues, thus indicating the status of the social dimension (White and March, 2006). Such issues include pensions, health care and poverty reduction, as social policy issues, as well as active labour market policies or youth unemployment, as examples of employment policies. In addition, recommendations suggesting growth-friendly consolidation are also seen as belonging to the social dimension, since growth-friendly consolidation may leave member states some space to also invest in society, for instance in their education system. This paper's analysis moreover includes the legal context of social and employment policy CSRs (e.g. soft law only, or the MIP or SGP). Such a legal context is largely absent in other overviews of CSRs, even though this legal context is relevant to establishing the level of interconnection of distinct coordination mechanisms, as this indicates which topics are evaluated from the perspective of which coordination mechanism. For instance, if a social policy recommendation is set within the context of the MIP or SGP, this signals that the particular social policy item is evaluated from the viewpoint of an economic coordination mechanism. The legal context of a CSR may be derived from the explanatory text preceding each list of CSRs. All documents that were used for the analysis are available at the Commission's Europe 2020 website.

4. Interconnections at the target-setting stage: similar topics evaluated from the viewpoint of distinct coordination mechanisms

The four coordination mechanisms within the European Semester 2013 address, to some extent, similar topics. The SGP deals in particular with economic and fiscal policies, including the infamous measures taken by countries needing to have a deficit below 3% of Gross Domestic Product (GDP) and a debt below 60% of GDP. However, its soft economic policy guidelines also address employment topics such as the objective calling on Eurozone countries to encourage the right framework conditions for wage-bargaining systems, and to make sure that labour-cost developments are consistent with price stability, productivity trends and the need to reduce external imbalances (Council, 2010a). The MIP also addresses economic issues, aiming to prevent macro-economic imbalances in member states. Its preventative arm starts out with a quantitative evaluation of member states, using a scoreboard of indicators. In 2013, this scoreboard contains two employment indicators: the three years percentage change in nominal unit labour cost as well as the 3-year backward moving average of the unemployment rate (European Commission, 2012b). The MIP thus shares its concern about labour costs with the SGP and this item thus interconnects the two coordination mechanisms. The Europe 2020 Strategy is a soft policy cycle that addresses many employment and social policy related targets, such as the headline targets to increase the average employment rate in the EU to 75% and to reduce the population at risk of poverty or social exclusion. Its employment guidelines also touch upon the reduction of unemployment, notably the structural unemployment which is mentioned in guideline seven (Council, 2010b). It thus has interconnections with the MIP, which also monitors unemployment. The Two-Pack is also interesting in terms of interlinkages. This newly established budgetary surveillance package strengthens the legal basis of the European Semester coordination process and enables the Commission to get a better view of how Eurozone countries are working to meet the fiscal targets set by the SGP. However, it also has important links with the CSRs. Draft budgetary plans of member states need to be consistent with the recommendations issued in the context of the SGP, yet, where appropriate, also with recommendations issued in the context of the annual cycle of surveillance, including the MIP (EP and Council, 2013). In addition, the draft budgetary plan has to contain information as to general government expenditure by function, including education, healthcare and employment. Where possible, the expected distributional impact of the main expenditure and revenue measures should be given, including an indication of how reforms and measures, in particular those concerning public investment, address the recommendations to the member state concerned. Moreover, it should be made clear how the draft budgetary plans contribute to the achievement of the targets set by the EU's strategy for growth and jobs. Thus, the topics addressed within the Two-Pack cycle depend on the CSRs that countries have received, and may expand to encompass employment and social policy issues.

In conclusion, interconnections between distinct socioeconomic coordination mechanisms exist at the stage of target-setting. For example, the topic 'labour costs in relation to productivity' (nominal unit labour costs) is part of the MIP as well as of the SGP: two distinct coordination mechanisms that have a corrective arm with sanctions for Eurozone countries. Also unemployment is targeted from the perspective of two distinct coordination mechanisms: the MIP and the Europe 2020 Strategy. Here, interconnections occur between an ultimately binding and a soft coordination mechanism.

5. Topics and legal instruments in the 2013 CSRs

Given the fact that similar items are explored in relation to different coordination mechanisms, it is no surprise that such interconnections can also be seen at the stage of recommendation-giving. The explanatory text before each list of CSRs clarifies which coordination mechanism is related to which CSR. For instance, section 19 in the text evaluating France, states that the Council has examined the NRP and the stability programme in the light of the Commission's in-depth review and that its recommendations under Article 6 of Regulation (EU) No 1176/2011 on the prevention and correction of macroeconomic imbalances are reflected in recommendations 1, 2, 3, 4, 5, and 6. This means that all CSRs communicated to France in 2013 are set within the context of the MIP, including its three social policy CSRs. Existing overviews showing the large variety in topics that a CSR may address, do not include an overview of how those CSRs relate to the different coordination mechanisms (see European Commission, 2013a; Clauwaert, 2013). This paper gives both the content and the legal basis (see Annex 1). In 2013, 67 of the 141 recommendations contain at least one suggestion addressing employment or social policies, while another 11 (solely) advocate the country to take an investment approach whilst consolidating (see table 1). So, 48% of the CSRs contain a social or employment policy item, or 55% if we include those recommending an investment approach ([2]). There does not seem to be a clear difference between Eurozone and non-Eurozone countries regarding the number of recommendations they receive or the frequency with which these CSRs address social policies. The shape of the economy seems to be more relevant in explaining the number of CSRs.

2. This calculation diverges from the calculations made by Clauwaert (2013), as he counts a total of 142 CSRs in 2013, of which he finds 57 to be related to the 'social field'. This is due to Clauwaert's slightly narrower definition of the EU's social dimension, excluding topics related to health care, education and a growth-friendly consolidation approach.

Table 1: Number of country-specific recommendations (CSRs) on employment and social topics and/or taking an investment approach, 23 member states 2013

	Total number CSRs	**Of which…**	
		A: Addressing social and/or employment topics	B: And/or supporting investment approach or growth-friendly structural measures
Eurozone countries			
ES	9	4	1*
SL	9	2	1
AT	7	4	0
BE	7	4	1
LV	7	4	0
LU	6	4	0
FR	6	3	1*
IT	6	3	1*
SK	6	3	1*
FI	5	4	1*
EE	5	2	1
MT	5	2	1
DE	4	2	1*
NL	4	2	1
Non-Eurozone countries			
RO	8	4	1*
CZ	7	4	1
BG	7	3	1
PL	7	3	1*
HU	7	3	1
LT	6	3	1
UK	6	2	1
SE	4	1	1
DK	3	1	0
Total	141	67	11 (8*)

* : CSR incorporating several elements, combining suggestion on taking an investment approach to consolidation with a specific social policy topic, such as pensions or health care. These are also included in column A.

Source: author's compilation.

Annex 1 provides an outline of all CSRs with a reference to an employment or social policy topic and displays the content as well as the legal basis. In 2013, the SGP and especially the MIP are frequently referred to as a basis for CSRs, and at times these coordination mechanisms expand to include employment and social policies. The Commission (2013b; 2013c) explains that the recommendations relating to economic policy and employment are adopted on the basis of Articles 121 (economic policy coordination) and 148 (employment policy coordination) of the EU Treaty, and moreover states that CSRs referring to the SGP are based on Council Regulation 1466/97 and CSRs referring to the MIP are based on Council Regulation 1176/2011. These Treaty articles and regulations thus refer to soft coordination processes, yet Regulation 1176/2011 on the macro-economic imbalances procedure also defines further steps towards a corrective arm for the MIP.

The regulation moreover refers to MIP regulation 1174/2011 which sets out the procedure for imposing sanctions on non-complying Eurozone countries, explaining, for example, that these countries could be made to pay an interest-bearing deposit of 0.1 % of GDP which may be converted into a fine (see also Bekker and Klosse, 2013). Moreover, the documents listing the CSRs refer to the corrective arm of the SGP as a legal context for some CSRs. This corrective arm, the Excessive Deficit Procedure, is codified in Art. 126 TFEU and adds the option of imposing sanctions on Eurozone countries that perpetually fail to meet the budgetary and debt targets. From a legal perspective, recommendations related to the SGP and the MIP thus impose more legal obligations on member states, especially if these member states are part of the Eurozone. Apart from the text preceding the CSRs, a CSR itself may refer to certain (stages of) coordination mechanisms. For instance, the first CSR often refers to the SGP or its corrective arm, the EDP. In the case of Belgium, one CSR refers to the Treaty on Stability, Coordination and Governance (TSCG) which entered into force on January 1st 2013 and obliges countries to implement a balanced budget rule in their national legislation through permanent, binding provisions. Romania's first CSR refers to its commitments made in the financial assistance programmes. Usually programme countries are not part of the European Semester coordination activities and do not receive recommendations. Yet, in 2013, Romania was just emerging from its financial assistance programme and therefore started receiving CSRs once more.

Table 2 shows that 39 of the 78 employment, social policy (67 CSRs) and other CSRs (11) referring to growth-friendly consolidation are set within the legal context of the SGP and/or the MIP. Thus, half of the CSRs representing the social dimension in 2013 are attached to at least one economic coordination mechanism; mechanisms that may result eventually in a sanction for Eurozone members. At times, the corrective arm of the SGP and second stage of the MIP are also referred to in the CSR: the EDP and the in-depth review (IDR). This means that employment and social policies may also be a topic addressed in CSRs attached to the corrective stage of the SGP, and may be a topic in the progressive stages of the MIP. To complicate things still further, there are also CSRs with more than one legal background, often a combination of the MIP and the SGP. Furthermore, quite detailed advice may be attached to different coordination mechanisms depending on the country of surveillance (see table 2 and annex 1). For example, the recommendation to tackle youth unemployment is attached to the MIP for countries such as Hungary, Spain and the UK, whereas it is placed within the scope of the Europe 2020 Strategy for Slovakia, Romania and Poland. Annex 1, moreover, shows that SGP and/or MIP-related CSRs expand to a wide range of employment and social policy items, including poverty, youth unemployment, pensions, health-care, and active labour market policies. This means that these coordination mechanisms address many more employment and social policy issues than it might seem at the target-setting stage. Consequently, coordination cycles are more closely entangled at the stage of giving recommendations.

Table 2: Social and employment policy recommendations in the context of SGP and/or MIP, 2013

Legal context CSR	**Number of employment and social policy CSRs with a particular legal context**
CSR referring to both the SGP and MIP	5
CSR solely referring to SGP	9
CSR referring to combination of SGP and its corrective arm, the EDP	6
CSR solely referring to MIP	8
CSR referring to combination of MIP, and its second stage, the in-depth review	11
Total	**39** (=**50%** of employment & social policy CSRs).

Source: author's compilation.

The findings illustrate that the interconnection between coordination cycles at the target-setting stage can also be seen in the CSRs, where similar topics are addressed in CSRs that refer to different legal contexts. They reveal, moreover, the complexity of the joint governance system, in which it is not possible to predict which policy item will be explored via which coordination mechanism. In the light of the competences given by the Treaty to the EU to deal with social policy issues, it is rather surprising that such topics are addressed at all within the context of the SGP and the MIP. Clearly there is an interconnection between coordination mechanisms that give recommendations on similar policy issues and that moreover have different legal backgrounds. The next sections describe in more detail what type of social policy recommendations have been drafted within the scope of the SGP and the MIP, and whether or not these act as constraints on the social dimension.

6. CSRs in the context of the SGP: interconnections with social policies

All 23 countries have received a recommendation on sound public finances, and this includes suggestions to alter pension arrangements (FR, SK, ES), take account of implicit liabilities related to ageing (LU), and/or make parts of the health care systems more cost-effective (FR, DE, PL, SK, ES). Health care and pensions are thus seen as social policy areas in which public spending could be reduced to meet the requirements of the SGP or its corrective arm. For example, Slovakia receives a first CSR mentioning that it should improve the long-term sustainability of its public finances by reducing the financing gap in the state pension system and by increasing the cost-effectiveness of the health-care sector. This observation is also relevant given the fact that before 2010, the SGP-criteria left much flexibility to countries to decide how to achieve their targets (Lierse, 2011). This is still the case at the target-setting stage; however, in the SGP-related CSRs clear suggestions are being made as to how to reduce public expenditure. A number of countries, such as Italy and Poland, also receive an SGP-related CSR on improving the general efficiency and quality of public expenditure. Some countries receive SGP-related CSRs that address other topics;

Latvia, for example, has a CSR on the taxation of low earners and combating the shadow economy. Moreover, 19 countries have received an SGP-related CSR to achieve consolidation in a sustainable and growth-friendly manner.

Although based on an economic coordination mechanism, SGP-related recommendations do not necessarily have a negative outlook on social Europe. Latvia and Spain are examples of this. The first CSR for Spain, which is related to the SGP (EDP) and the MIP, recommends maintaining access to health care for vulnerable groups, even though the cost-effectiveness of health care needs to improve. Spain is therefore advised to keep a close eye on health-care expenditure, but also to spare vulnerable groups to some extent. The text preceding the CSRs for Latvia clarifies that the recommendation on the taxation of low-income earners is meant to stimulate the employment opportunities of low-income groups. At times the first CSR urges countries to follow a growth friendly consolidation path, for instance exempting education, research and innovation from budget cuts (an ongoing recommendation to NL since 2011, but for instance also part of the 2013 CSRs to DE, LT, MT, PL, SE). This means that certain activities may be spared budget cuts. By contrast, SGP-related recommendations on pension systems usually refer to an increase in the pension age or recommend that account be taken of ageing-related expenditure. This could be seen as having a negative impact on the pension rights of citizens, potentially limiting the EU's social dimension, although a counter-argument might be that a sustainable and fair pension system might support the social dimension in the longer run if it leads to sound pension entitlements for future generations. Still, given the flexibility that countries have always had in deciding their own consolidation pathway towards the SGP norms, it seems odd that the SGP-related CSRs give such detailed suggestions to member states as to how to cut down expenditure, even more so within the scope of the corrective stage of the mechanism. Yet, the extent to which detailed recommendations in fact serve as a binding prescription remains to be seen in later European Semester policy cycles, when countries progress further into corrective stages. Here, it would also be interesting to explore the role to be played by the Two-Pack in meeting precise CSR requirements.

7. CSRs in the context of the MIP: interconnections with social policies

The MIP-related CSRs deal very regularly with social and employment policy topics. CSR number four to Hungary illustrates nicely how the MIP can expand to include a wide range of social policy items, even while linked to the IDR. It reads *"Address youth unemployment, for example through a Youth Guarantee. Strengthen active labour market policy measures and enhance the client profiling system of the Public Employment Service. Reduce the dominance of the public works scheme within employment measures and strengthen its activation elements. Reinforce training programmes to boost participation in lifelong learning. Continue to expand child-care facilities to* *encourage women's participation. Ensure that the objective of the National Social Inclusion Strategy is mainstreamed in all policy fields in order to reduce poverty, particularly among children and Roma."* (Council, 2013a: 11).

As the Hungarian example shows, MIP-related CSRs address employment issues to a far greater extent than the two scoreboard indicators (unemployment rate and labour costs) and even expand to include poverty reduction. CSR comments to other countries show that the MIP may stretch further to encompass pensions, active labour market policies, training, and the employment rate of older workers (see Annex 1). This suggests that virtually any employment and social policy topic may be included as a basis for economic recommendations and that these are taken into account also when the MIP has progressed into the IDR stage. However, considering the MIP-related CSRs for 2013, this does not necessarily mean constraints on social Europe. The particular Hungarian CSR aims at lowering youth unemployment by stimulating the government to create a strategy for its youth, it calls for a boost to lifelong learning and the expansion of child-care facilities. Moreover, the CSR recommends that poverty should be reduced in Hungary, especially poverty among children and Roma. All these points are important for Europe's social dimension. Conversely, the CSR also aims at strengthening the activation elements of the Hungarian Public Employment Service, something which is not always seen as improving social Europe per se. Much depends on the way this activation is designed (see e.g. Barbier, 2005).

Given this extensive inclusion of social policy topics in MIP-related recommendations, many questions arise. One question regards the competences of the EU to deal with social policies within the context of what may be binding coordination mechanisms. Of particular interest is the fact that some MIP-related CSRs address wage developments, while from a Treaty-perspective issues related to pay are clearly a matter for the autonomy of the member state and the social partners. The MIP regulation acknowledges such potential tensions and explicitly refers to Article 152 TFEU on respecting national practices and institutions for wage formation, as well as to Article 28 of the Charter of Fundamental Rights of the EU on the right to negotiate, conclude collective agreements or to take collective action (EP and Council, 2011). Nevertheless, in 2013, Belgium, France, Slovenia, and Finland received an MIP-related CSR on wages (see also Bekker and Klosse, 2014).

8. Conclusion

The European Semester deliberately combines fiscal, economic, employment and social policy coordination mechanisms that have different legal bases. This paper shows that this leads to mutual influence between distinct coordination mechanisms, both at the target-setting stage and at the stage of giving recommendations to countries. For example, in 2013 the SGP and the MIP address employment and social policy issues in their targets as well as in their country-specific recommendations. This is remarkable, as the Treaty suggests that employment and social policies may only be coordinated using soft law methodologies such as the OMC. It seems that since the crisis, the term 'economic policy' has been defined very broadly to include topics such as poverty, health care and pensions, which now feature in the SGP or MIP. Two observations are relevant here. First, the targets in separate coordination mechanisms are often interconnected, especially in the area of wage growth versus productivity, and unemployment reduction. It seems that such topics may be defined as belonging to employment policy, yet also relevant for evaluating economic policies. CSRs also show such interconnection, as recommendations dealing with identical policy items may be related to different coordination mechanisms, depending on the country under scrutiny. For instance, the fight against youth unemployment may either be attached to the MIP or may be an issue for soft coordination. Likewise, adjustments to the pension system may be related to the SGP, the MIP, or may be the subject of a soft recommendation. This observation indicates that distinct coordination mechanisms are interlinked, both at the stage of target-setting and at the stage of giving recommendations. Such interactions between distinct coordination mechanisms contribute to the complexity of the system, with several types of governance affecting each other's policy domains through their interaction. This growing complexity reduces the transparency of the European Semester process.

Secondly, while the SGP and the MIP only address some employment policy elements in their targets, the associated recommendations to countries deal with a much broader range of employment and social policy subjects. The MIP, in particular seems to cover practically any social and employment topic, including poverty reduction, active labour market policies, education, re-skilling, pensions and health care. Using a broad definition of a social dimension, including education, health care and an investment approach to consolidation, 55% of the 2013 CSRs address social and employment policy issues, half of which are set in the context of the MIP and/or SGP. As, in theory, these two economic coordination mechanisms may result in a fine for Eurozone countries, this observation gives rise to questions concerning the competencies of the EU in the social policy field. It would be interesting to know whether the topics mentioned in the CSRs also form a basis for sanctioning Eurozone countries that repeatedly fail to meet EU demands. The MIP regulation 1176/2011 seems to give conflicting messages about this. On the one hand it explains that member states subject to the excessive imbalance procedure should establish a corrective action plan, containing details of the policies they intend to develop to implement the Council's recommendations, thus suggesting that the Council recommendations are guiding the design and implementation of national policies. Decisions in this context are said to be an integral follow-up to the recommendations adopted by the Council on the basis of Article 121(4) TFEU (see sections 23 and 24 of the regulation). On the other hand, the regulation states that the Council and the Commission should fully respect the role of national parliaments and social partners, as well as differences in national systems, such as the systems for wage formation (section 25). If the recommendations at the corrective stage indeed build on the detailed social policy suggestions made in the CSRs, is there a hierarchy of coordination mechanisms, with greater priority for fiscal and economic recommendations, given the possibility of imposing sanctions on non-complying member states? If so, how is this compatible with the autonomy of member states and social partners in certain issues, most notably in the field of social policy? Another relevant question is whether member states are still free to decide how to reduce their spending or increase their income, or whether they should follow the detailed policy suggestions. The latter question has gained relevance now that the Two Pack on budgetary surveillance also takes into account the messages communicated via the recommendations.

Yet in spite of economic coordination cycles dealing with employment and social policies, such CSRs do not necessarily neglect the social dimension. This is at least the conclusion for the 2013 European Semester. This paper illustrates that even within the SGP-related CSRs, there is some scope to develop social aspects. The MIP, in particular, seems to allow for recommendations that support a social dimension. So the EU's social dimension has not been totally lost in the stricter economic governance regime. Moreover, the European Semester is still work in progress and may be subject to changes in the future. This could give social Europe new opportunities. The Commission aims to strengthen the social dimension of the Economic and Monetary Union (European Commission, 2013a), and the agenda for the newly installed Commission also focuses attention on the social dimension, even though this attention is combined with the aim of further deepening the EMU (Junker, 2014). Moreover, regulations only tell part of the story. An important role will be played by the actors which need to interpret the rules, and which may relax the sanctioning regime somewhat (Vanhercke, 2013). Recent examples show that there are also political reasons to grant countries more time to meet the requirements of the SGP (European Commission, 2010; Morris et al, 2006). It is therefore important to scrutinise future European Semester cycles in order to see what happens with employment and social policy recommendations if countries progress towards corrective stages. It is helpful, in this respect, to build on our knowledge of how distinct coordination mechanisms can have joint effects. It could moreover be a step towards outlining how to attain a 'smart' mix of coordination mechanisms with different legal bases, which work together to generate optimal coordination outcomes. This entails looking for complementarities rather than stirring up rivalry between modes of governance and their goals. The review of the coordination activities in the 2013 European Semester shows that there is still the potential to support the social dimension and thus to achieve complementary modes of coordination.

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Annex 1: overview of legal bases and employment and social policy recommendations in 2013 (of all 23 countries receiving CSRs in 2013, meaning that programme countries are not included in the table)

	CSRs on employment and social policies and/or taking an investment approach (legal context between brackets) #is specific CSR number communicated to country
Eurozone countries (in 2013)	
AT	#2. pension and employability (soft) #3. labour market participation, tax/social security contribution on wages (soft) #4. reform health care (soft) #5. education outcomes (soft)
BE	#1: growth-friendly structural measures (related to SGP/EDP, MIP/IDR, TSCG) #2: retirement age-active ageing. Long-term institutional care (related to MIP/IDR) #3: wages (related to MIP/IDR) #5: labour tax (related to MIP/IDR) #6: labour participation and mobility. LLL. Inclusion migrants (soft)
Fi	#1: growth-friendly fiscal policy. Long-term care (SGP/MTO) #2: PES, social, health services (soft) #3: employment older workers Pension age, youth, l-t unemployment (MIP) #5: innovation. real wage vs productivity (MIP)
LV	#1: tax low earners, shadow economy (SGP) #3: long-term & youth unemployment; ALMP (soft); #4: (child) poverty, adequacy benefits (soft) #5: education, research (soft)
ES	#1: structural reform to increase adjustment capacity economy, growth, employment; efficiency & quality public expenditure; cost-effectiveness health-care sector, while maintaining accessibility for vulnerable groups, pensions (SGP/EDP & MIP) #4: labour market reform, ALMP, PES, re-skill old and low-skilled, Single Job Portal (MIP) #5: youth unemployment, education, monitoring system (MIP) #6: poverty, social exclusion (soft)
LU	#1: taking into account implicit liabilities related to ageing (SGP) #3: pension age; long-term care (soft) #4: further structural measures, reform wage setting system, incl wage indexation, diversify structure economy(soft) #5: youth unemployment, part older workers (soft)
SL	#1: sustainable manner, structural reform to increase adjustment capacity economy, growth, employment, growth-friendly spending (SGP/EDP, MIP) #2: pension, care, benefits (MIP) #3: wage; min. wage, labour market reform, including less segmentation, employment youth, old, low-skilled, ALMP, skills mismatch, education (MIP)
EE	#1: growth-friendly fiscal policy (related to SGP) #2: incentives to work (also long-term unemployed), social service (soft). #3: education, youth unemployment, LLL, innovation (soft).
FR	#1: growth-friendly fiscal consolidation; pension; health care (SGP/EDP, MIP/IDR) #2: labour costs, minimum wage vs job creation (MIP/IDR) #6: inter-profess agreement; labour market segment: especially agency work; reform UB; part old worker; LLL; PES; youth (MIP/IDR)
IT	#1: growth-friendly consolidation; efficiency +quality public expenditure (SGP) #4: labour market & wage setting; part & youth; education; PES; 2nd earners; social transfers (MIP/IDR) #5: labour & corporate taxation; tax evasion (MIP/IDR)
SK	#1: growth enhancing expenditure efficiency public spending, pension reform, cost-effectiveness health-care (SGP/EDP) #3: PES-activation, long-term unemployment, female participation, child care, tax wedge for low-paid workers; benefit system (soft) #4: youth unemployment, education, Roma (soft)
MT	#1: consolidate in sustainable and growth-friendly manner (SGP/EDP) #2: pension, part older workers, health-care, public procurement (MIP) #3: early school leaving, participation women, child care (soft)
DE	#1: growth-friendly fiscal policy, health care, tax system; debt brake (SGP) #2: wage growth (social security contrib.), labour market integration, transition into stable employment; disincentives 2nd earner/ child care (soft)

NL	#1: protect expenditure in areas directly relevant for growth (SGP/EDP) #3: pension, long-term care system (soft) #4: labour part. Labour tax, labour market transitions & rigidities, incl EPL & UB (soft)
Non-Eurozone countries (in 2013)	
CZ	#1: growth-enhancing expenditure (SGP/EDP) #2: labour taxation, tax compliance (soft) #3: pension age, employability, health care (soft) #4: PES, childcare (soft) #6: education (soft)
HU	#1: growth friendly fiscal strategy (SGP/MTO, MIP/IDR) #3: corporate tax; taxation labour; tax compliance (MIP/IDR) #4: youth, ALMP, LLL, child care, poverty and inclusion esp Roma & children (MIP/IDR) #6: education (soft)
RO	#2: growth-friendly consolidation, pension(soft) #3: health sector (soft) #4: labour market participation, employability, productivity, LLL, PES, youth unemployment, poverty/social transfers, soc sec, Roma (soft) #5: education, child care (soft)
LT	#1: prioritise growth-enhancing expenditure and tax vs growth (SGP) #2: pensions, employability older workers(soft) #3: unemployment low- skilled & youth; Review labour legislation, flex contracts dismissal & flex working time. (soft) #4: reduce poverty and social exclusion (soft)
PL	#1: sustainable correction, boost potential growth & employment quality public finances min. cuts in growth-enhancing investment, targeting soc. policy, cost effectiveness / efficiency healthcare. Efficient tax administration (SGP/EDP) #3: youth unemployment, Lifelong learning, in-work-poverty, labour market segment (transition to permanent contract) (soft) #4: female labour part, child care, sectoral labour mobility, pensions (soft)
BG	#1: growth-friendly fiscal policy (related to SGP) #2: pension age, ALMP older workers (soft) #3: youth guarantee, ALMP, social security contrib. poverty/Roma, social transfers (related to MIP/IDR) #4: education, health care (related to MIP/IDR)
UK	#1: structural reform to increase adjustment capacity economy, growth, employment; growth-friendly approach (SGP/EDP) #3: youth unemployment; education (MIP) #4: support low-income households and reduce child poverty; child care (soft)
SE	#1: growth-friendly fiscal policy (SGP) #4: labour-market integration low-skilled young people and migrants, school to work, VAT for job creation (soft)
DK	#2: employability people at the margins of the labour market, quality of vocational training to reduce drop-out rates, reform of primary and lower secondary (soft).

Source: European Commission documents belonging to the European Semester 2013. Available via the Europe 2020 website: http://ec.europa.eu/europe2020/europe-2020-in-your-country/index_en.htm Accessed frequently between June 2013 and March 2014. MTO = Medium Term (budgetary) Objective; TSCG = Treaty on Stability, Coordination and Governance; ALMP= Active labour market policy; IDR=In-depth review; LLL=Lifelong learning; UB=Unemployment benefit; PES=Public Employment Service