The social dimension of EU economic governance after the Covid-19 pandemic: exploring new interlinkages
Sonja Bekker
S.Bekker@uu.nl

Italian Labour Law e-Journal
Special Issue 1, Vol. 15 (2022)
NextGeneration EU in Action: Impact on Social and Labour Policies
ISSN 1561-8048
https://doi.org/10.6092/issn.1561-8048/15702

The social dimension of EU economic governance after the Covid-19 pandemic: exploring new interlinkages

Sonja Bekker*

1. Introduction. 2. Conceptualisations of European social policy and hybrid governance architectures. 3. Examples of governance architectures impacting European social policy. 3.1. Example 1: The European Pillar of Social Rights. 3.2. Example 2: the European Semester. 3.3. Example 3: the Recovery and Resilience Facility. 4. Interconnections between governance architectures. 5. Conclusion.

Abstract

This article assesses the space for the social dimension of EU economic governance after the Covid-19 pandemic. It does so by looking at the types of instruments that are used to further European social policy. It describes how rule-based, coordination-based and monetary-based instruments are connected to different conceptualisations of European social policy and the role national actors might play, including the social partners. The different instruments are brought together in governance architectures, for example in the European Pillar of Social Rights, the European Semester, and the Recovery and Resilience Facility. Lately, monetary-based instruments have been used more often, also in order to shape European social policy. Moreover, apart from combining different instruments, the governance architectures themselves seem deliberately to be interlinked. The article ends with a provisional research agenda, proposing questions that should be addressed in order to understand how the social dimension is anchored in the wide range of governance instruments.

Keywords: Recovery and Resilience Facility, European Semester, Pillar of Social Rights, Governance architectures, Social Europe.

* Associate professor at Faculty of Law, Economics and Governance of Utrecht University, the Netherlands

1. Introduction.

The past decade has been an exciting journey for European social policy, ranging from austerity-related constrictions during the great financial crisis (2008–2013), to a resurrection via the European Pillar of Social Rights (2017), and the long-term aim of a 'fair and just' recovery from the Covid-19 crisis. This article zooms in on the social dimension of EU economic governance, focussing particularly on the interplay of the different types of instruments the EU uses in order to develop socio-economic policies. The domain of European social policy has always been characterised by an interesting mix of rule-based, coordination-based and monetary-based instruments. Lately, shifts have been visible in terms of a growing role for monetary-based instruments, as well as a further interconnection of governance architectures. For instance, the Covid pandemic has led to the establishment of the Recovery and Resilience Facility, which is moreover purposefully tied to the European Pillar of Social Rights and the European Semester.

This article aims to assess the space available for the social dimension of EU economic governance after the Covid-19 pandemic. It does so by looking at the types of instrument used to promote European social policy. First, this article offers different conceptualisations of European social policy. Secondly, it describes how the rule-based, coordination-based and monetary-based instruments are connected to the different conceptualisations of European social policy and the role national actors might play, including the social partners. Next, the article describes the development of hybrid governance structures and their meaning for European social policy. Then, it gives some examples of how different types of instruments are connected in three governance architectures, namely the European Pillar of Social Rights (Pillar), the European Semester (Semester), and the Recovery and Resilience Facility (RRF). This exercise will look at how, jointly from national level and EU level, and using a combination of different instruments that are (more or less) aligned, European social policy might be shaped after the Covid-19 pandemic. The conclusion ends with a set of questions that should be addressed in order to better understand how the social dimension is anchored in the wide range of governance instruments.

2. Conceptualisations of European social policy and hybrid governance architectures.

In order to analyse the space available for the social dimension of EU economic governance after the Covid-19 pandemic, it is fruitful to explore, first, the various definitions of European social policy. This section will show that particular definitions of European social policy also determine which instruments may be used to promote social Europe. Moreover, the choice of a particular instrument also shapes the role of national-level and EU-level actors in designing and implementing (European) social policies.

Although this section starts with some definitions or conceptualisations of European social policy, its ultimate purpose is to connect these conceptualisations to the types of governance instrument that are used to shape social policies. Therefore, this section will not

https://doi.org/10.6092/issn.1561-8048/15702

aim for complete descriptions either of what European social policy is, or what the European Social Model entails. This has been done elsewhere.[1] Here, the article follows Streeck by asking what exactly 'European' means in the term 'European social policy'.[2] Streeck gives three conceptualisations, the first of which refers to national welfare states taken together. This conceptualisation seeks a common denominator in Member States' national social policies. Consequently, this common denominator, consisting of ideas and practices, could be seen as the European aspect of social policies. This is thus a very nationally oriented view of social policies, with little role for EU-level policymaking mechanisms. A second conceptualisation refers to the social policies of the European Union, which are developed above and come on top of national social policies. Here, the EU adds a supranational layer to the existing national social policies. In this respect, Streeck speaks of the EU superseding, regulating, protecting or restructuring the social policies of the Member States. In this conceptualisation, however, there is still a role to play for the national level, and the extensiveness of this national role is codetermined by the use of a particular governance instrument, or the organisational set-up of a governance architecture, such as choices between soft coordinated steering or harder requirements set via directives. A third definition aligns with ideas of far-reaching European integration in a federalist social democracy and sees European social policy as a replacement for national welfare states and a step towards building a unified European welfare state with identical social policies in all Member States.[3]

The three different definitions of European social policy are connected to the use of different types of vision, instrument, actor and institution for the purpose of realisation. This is because, if an instrument allows the national level to play a role in developing European social policies, it means that national governments, but also national social partners, may shape social policies within the European context. They thus have a major responsibility, so to speak, in furthering European social policy. Moreover, at times, national and European level policymakers have a joint responsibility to shape social policies, while interacting in a multilevel governance setting. Building on this, this article takes the perspective that the different conceptualisations of European social policy co-exist, encompassing multiple levels of governance. The article demonstrates this by exploring the establishment and use of different types of governance instruments that are relevant to social policies.

Moreover, it distinguishes between three different types of instrument: rule-based, coordination-based and monetary-based.[4] Rule-based instruments, such as directives, line up more with an idea of European integration, at least at the level of setting minimum standards. These minimum standards may be adopted not only via the ordinary legislative process of the Community Method, but may also stem from framework agreements negotiated by the

[1] For overviews see, for example, Blanpain R., Colucci M., Sica S., *The European Social Model*, Social Europe Series, Vol. 11, Intersentia, Antwerp, 2006; Moreau M.-A., Ulasiuk I., *Before and after the economic crisis: what implications for the European social model?*, Edward Elgar, Cheltenham, 2011.
[2] Streeck W., *European Social Policy: Progressive Regression*, in *MPIfG Discussion Paper*, 18, 11, 2018.
[3] *Ibid.*
[4] Armstrong K.A., *EU Social Policy and the Governance Architecture of Europe 2020*, in *Transfer: European Review of Labour and Research*, 18, 3, 2012, 285-300.

https://doi.org/10.6092/issn.1561-8048/15702

European social partners.[5] Coordination-based instruments refer to soft steering of national social policies, such as happens when using the Open Method of Coordination (OMC).[6] The OMC is an iterative policy cycle, starting with EU-level policy objectives, sometimes accompanied by quantitative benchmarks.[7] For employment policies these goals are set in the employment guidelines proposed by the Commission, agreed by national governments and adopted by the European Council. Next, the Commission monitors labour markets and evaluates each country's progress. Moreover, Member States submit a national report in which they describe national reforms that contribute to meeting the EU-level goals, and the Commission analyses these reports. Based on all these assessments, as well as frequent dialogues with national governments and social partners, the Commission makes specific evaluations of each country and drafts country-specific recommendations, which at times are altered and then endorsed by the Council. These country-specific recommendations (CSRs) fit the particular challenges facing a country and are not legally binding. The CSRs differ from directives in this respect. Because CSRs are not binding, and rather offer suggestions, actors at the national level have ample room to develop their own policies, within the targets set at the EU level. Finally, monetary-based steering refers to the use of EU funds to influence social outcomes.[8] An example of a monetary-based instrument is the European Social Fund. Since the height of the Covid-19 pandemic, monetary-based instruments have started to play a much bigger role, signified by the implementation of the RRF and the European instrument for temporary support to mitigate unemployment risks in an emergency (SURE).

The instruments mentioned above often do not operate in isolation. They mainly form part of governance architectures. Governance architectures may be defined as strategic and long-term institutional arrangements, consisting of three features.[9] First, they deal with complex, strategic and long-term problems in a holistic manner. Second, they set substantive output-oriented goals. Third, they are implemented through combinations of old and new organisational structures. Governance architectures have both ideational components (policy paradigms and discourses) and organisational components (formal institutional structures and instruments).[10] The former Europe 2020 Strategy might be seen as a governance architecture, and has hosted combinations of coordination-based instruments (in other words, guidelines and country-specific recommendations) and monetary-based instruments (that is, the European Social Fund [ESF]).[11]

[5] *See* the process as anchored in Articles 154 and 155 Treaty on the Functioning of the EU (TFEU).
[6] An example of an OMC is the European Employment Strategy (EES).
[7] De la Porte C., Pochet P., *Why and how (still) study the Open Method of Co-ordination (OMC)?*, in *Journal of European Social Policy*, 22, 3, 2012, 336-349.
[8] Armstrong K.A., nt. (4)
[9] Borrás S., Radaelli C.M., *The politics of governance architectures: creation, change and effects of the EU Lisbon Strategy*, in *Journal of European Public Policy*, 18(4), 2011, 463.484. Citation on page 463.
[10] *Ibid.*
[11] Armstrong K.A., nt. (4).

Following on from this, governance architectures may have a hybrid character, meaning that they yoke together different types of instruments in order to achieve their goals.[12] Hybridity could lead to mutual interaction between instruments, meaning that those instruments somehow influence each other. The European Semester (Semester) may be an example of a hybrid governance mechanism. The Semester was implemented in 2011 and coordinates EU socio-economic policies. It brings together somewhat harder (more rule-based) economic and financial steering via the Stability and Growth Pact (SGP) and the Macroeconomic Imbalances Procedure (MIP), with the softer (more coordination-based) employment and social policy coordination.[13] Moreover, within the Semester instruments influence each other by pursuing goals or targets in the same policy fields. For instance, the topic of pensions is interesting both from an economic perspective (public spending) and from a social policy perspective (reducing old-age poverty), and at times may generate conflicting messages (for example, cutting expenditure, while fighting poverty). Although hybridity is not new, it does keep sparking questions on the best governance design, for instance what the best combination of instruments is in order to attain certain social policy goals [14]; or which combinations of tools and techniques are smart and deliver the desired results?

A choice to make use of certain types of governance instrument often means the choice of a certain role for the EU versus the national level, as well as their respective stakeholders. Moreover, the choice of certain instruments determines the way in which EU-level and national-level actors interact when creating European social policies. In determining the role of the EU versus the national level, the degree of centralisation in EU policymaking is essential. This could be assessed by finding out whether there is national actor involvement in drafting a norm or policy, whether proposed policy changes fit with national priorities, and whether or not proposed changes challenge institutional arrangements at the national level .[15] If centralisation is low, national governments, parliaments and social partners have a fair amount of influence on reforms in the phases of agenda-setting, design and implementation. More centralisation would or could mean less national level influence.

Apart from looking only at the national versus the EU level, the dynamic and recurring interaction between the levels should be examined, for instance building on ideas of multi-

[12] Armstrong K.A., *The Character of EU Law and Governance: From 'Community Method' to New Modes of Governance*, in *Current Legal Problems*, 64, 1, 2011, 179-214.

[13] The SGP is a set of rules intended to ensure that Member States pursue sound public finances and coordinate their fiscal policies. It has a soft preventive arm that resembles OMC coordination, but also a corrective arm if countries keep failing to comply with the rules. The MIP aims to identify, prevent and address the emergence of macroeconomic imbalances that may harm the economic stability of a Member State, the euro area, or the EU as a whole. It also has a preventive and corrective arm. Bekker S., *The European semester process: Adaptability and latitude in support of the European social model*, in Vandenbroucke F., Barnard C. and De Baere G. (eds), *A European social union after the crisis*, Cambridge University Press, 2017, 238–250.

[14] Armstrong K.A., nt. (12); Jessoula M., *Europe 2020 and the Fight against Poverty – Beyond Competence Clash, Towards 'Hybrid' Governance Solutions?*, in *Social Policy and Administration*, 49, 4, 2015, 490-511.

[15] De la Porte C., Heins E., *A New Era of European Integration? Governance of Labour Market and Social Policy Since the Sovereign Debt Crisis*, in *Comparative European Politics*, 13, 1, 2015, 8; Bekker S., *Hardening and softening of country-specific recommendations in the European Semester*, in *West European Politics*, 44, 1, 2021, 114-133: https://doi.org/10.1080/01402382.2020.1739407.

level governance. The Semester is seen as an example of multilevel governance, involving the dynamic interaction of EU-level and national-level actors.[16] In a way, part of its operation resembles the OMC, as described above. The Semester annually coordinates national socio-economic policies, starting with the European Commission proposing and the Council endorsing guidelines. Next the European Commission monitors and evaluates national progress, and suggests CSRs. As national and EU-level actors interact at various times, national actors may influence the drafting of the CSRs and thus try to ensure that the Member States receive recommendations that fit national challenges, priorities and reform capacity.[17] Although multilevel governance models describe interactions and influence across governance levels quite well, the practices they illustrate make it difficult to use a single theory of EU integration in order to assess what is going on.[18] Both the EU and the relevant Member State are in the driver's seat.

The next section will give examples of the different types of governance architecture. Particularly the Semester, the Pillar as well as the RRF exemplify how different rules-based, coordination-based and monetary-based instruments are interlinked.

3. Examples of governance architectures impacting European social policy.

The development of European social policy started already in the post-war era and its genesis has been described more fully elsewhere.[19] Over time, European social policy has been developed using different rules-based, coordination-based and monetary-based instruments. At present a patchwork of hard and soft rules, including legislation, guidelines and funding opportunities exist.[20] To name a few, in the broad domain of *flexible employment*, one may find directives on fixed-term and part-time work, as well as on transparent working conditions. However, the Semester also includes economic and employment policy guidelines on labour market flexibility and security,[21] and assesses the progress of Member States in its monitoring and evaluation exercises, for instance using the Social Scoreboard.[22]

[16] Cardwell P.J., Granger M.-P. (eds), *Research handbook on the politics of EU law*, Edward Elgar Publishing, Cheltenham, 2020.
[17] Bekker, S., nt. (15).
[18] Scharpf, F.W., *Notes Toward a Theory of Multilevel Governing in Europe*, in *Scandinavian Political Journal*, 24, 1, 2001, 1-26; Verdun A., Zeitlin J., *Introduction: the European Semester as a new architecture of EU socioeconomic governance in theory and practice*, in *Journal of European Public Policy*, 25, 2, 2018, 137-148.
[19] For example, Barbier J.C., *The Road to Social Europe: A Contemporary Approach to Political Cultures and Diversity in Europe*, Routledge, London, 2014; Streeck, W., nt (2); Barnard C., *EU Employment Law*, Oxford University Press, Oxford, 2012; Pochet P., *Twenty years of the publication 'Social policy in the European Union': what have we learned?*, in *Social policy in the European Union 1999–2019: the long and winding road*, ETUI/OSE, Brussels, 2020, 13–35; Pochet P., *From one crisis to another: changes in the governance of the Economic and Monetary Union (EMU)*, in *Transfer: European Review of Labour and Research*, 2022; De la Porte C., Madama I., *Researching social Europe on the move*, in Nelson K., Nieuwenhuis R., Yerkes M. (eds), *Social Policy in Changing European Societies*, Edward Elgar, Cheltenham, 2022.
[20] Barnard C., nt. (19).
[21] *See*, for example, the guidelines on employment policy, Council Decision (EU) 2018/1215 of 16 July 2018 on guidelines for the employment policies of the Member States, ST/10464/2018/INIT.
[22] ETUI, The Social Scoreboard revisited, Background analysis 2017.03.

Likewise, in the broad domain of *unemployment* different instruments have emerged, such as the guidelines of the European Semester, but also the ESF that funds projects aimed at fighting unemployment, or the SURE fund that mitigates unemployment risks. Moreover there are programmes targeted to lower youth unemployment, such as the bridge-to-jobs, that is a follow-up of the EU's youth guarantee.

Some of the instruments have been implemented in relative isolation, while others have been brought together in governance architectures. The remainder of this article focuses on the Semester, the Pillar and the RRF, and views these as governance architectures. They illustrate a new emphasis on EU monetary-based steering in the social domain, as well as a further interconnection between governance architectures.

3.1. Example 1: The European Pillar of Social Rights.

The Pillar was launched in 2017 and includes 20 principles aimed at creating fair and well-functioning labour markets and social protection systems, thus improving people's lives. The principles are divided into three chapters, the first on Equal opportunities and access to the labour market; the second on Fair working conditions; and the third on Social protection and inclusion. The Pillar may be seen as a governance architecture aimed at reintegrating social policy in the evolving process of an EU economic and monetary union by bringing forward an alternative economic model that emphasises sustainability.[23]

The name of the Pillar refers to 'rights', but in fact the Pillar is non-binding.[24] Rather, it consists of a range of ideas that, in their further design and implementation (the so-called 'delivery' of the Pillar), inspire the use of a mix of rule-based and coordination-based instruments. From the outset the Pillar has been framed as a 'compass' that calls upon Member States and the social partners to help in achieving its goals.[25] Thus, the Pillar lacks any enforceability as EU citizens cannot base direct claims on it.[26] This therefore requires policymaking at the national level in order to achieve results. For instance, principle no. 8 addresses the need to consult social partners on the design and implementation of economic, employment and social policies. This refers not only to the EU-level social partners, but also to those at the national level. Although the Pillar in itself does not bestow new rights, it is accompanied by a package of proposals, containing pre-existing initiatives and new legislation, as well as soft law measures.[27] In May 2021, the Porto social summit resulted in

[23] Deakin S., *What Follows Austerity? From Social Pillar to New Deal*, in F. Vandenbroucke, C. Barnard, G. De Baere (eds.), *A European Social Union*, Cambridge University Press, 2017, 160-191; Carella B., Graziano P., *Back to the Future in EU Social Policy? Endogenous Critical Junctures and the Case of the European Pillar of Social Rights*, in *Journal of Common Market Studies*, 60, 2, 2022, 374-390.
[24] Hendrickx F., *The European Social Pillar: A first evaluation*, in *European Labour Law Journal*, 9, 1, 2018, 3-6.
[25] Aranguiz A., Bednarowicz B., *Adapt or perish: recent developments on social protection in the EU under a gig deal of pressure*, in *European Labour Law Journal*, 9, 4, 2018, 329-345.
[26] Bednarowicz B., *Delivering on the European Pillar of Social Rights: The New Directive on Transparent and Predictable Working Conditions in the European Union*, in *Industrial Law Journal*, 48, 4, December 2019, 604-623.
[27] Garben S., *The European Pillar of Social Rights: Effectively Addressing Displacement?*, in *European Constitutional Law Review*, 14(1), 2018, 210-230.

an Action Plan, consisting of a number of initiatives and setting three overarching targets to be achieved by 2030. These targets are an employment rate of at least 78 per cent; at least 60 per cent of adults attending training courses every year; and a reduction in the number of people at risk of social exclusion or poverty by at least 15 million people, including 5 million children.

The Pillar has been linked also to concrete legislative initiatives, for instance in the domain of labour law, albeit based on existing EU competences.[28] Examples, which could be seen as building on a political consensus set by the Pillar, include initiatives to implement a minimum wage directive, as well as to establish guidelines clarifying the application of EU competition law to collective agreements of solo self-employed people. Thus, the Pillar aligns or inspires myriad initiatives, collecting different ambitions and defining different means of achieving them, including directives and recommendations.

3.2. Example 2: the European Semester.

As of the 1990s, coordination-based instruments started to emerge in the economic policy field, as well as in the employment and social policy fields. The Treaty of Amsterdam (1997) introduced an employment chapter that permitted the establishment of the European Employment Strategy (EES). It uses the OMC, with 'soft' elements such as annual evaluations of national labour markets and CSRs suggesting how Member States could improve policies, while instigating policy learning and the exchange of ideas.[29] Economic policy coordination was also developed in this timeframe, notably the Stability and Growth Pact (SGP) (see above).[30] The great financial crisis, as well as the end of the Lisbon Strategy in 2010, gave rise to a major reform of EU economic governance, aimed at strengthening the EU's capacity to steer national economic policies. The SGP was reinforced, and the MIP was introduced in order to identify at an early stage potential macroeconomic imbalances that could harm a country's economic stability, as well as that of the EU. Together with employment and social policy coordination, the SGP and the MIP were placed within the framework of the Semester. Thus, essentially, the Semester aligns the annual coordination of economic, social and employment policies, which makes it an example of a governance architecture with a range of different instruments.[31] The SGP and the MIP may result in fines in the case of perpetual non-compliance by euro-zone members, while employment and social policy coordination remains rather soft.[32] Arguably, this combination of harder and softer instruments has led to imbalances in the outcomes of the Semester in terms of a narrow focus on economic issues that were, moreover, addressed coercively. Thus, in the

[28] Hendrickx F., nt. (24).
[29] Zeitlin J., Pochet P., *The open method of co-ordination in action: the European employment and social inclusion strategies*, Peter Lang, Bruxelles, 2005.
[30] Bekker S., *The European Semester: Understanding an innovative governance model*, in Cardwell P.J., Granger M.-P. (eds), *Research handbook on the politics of EU law*, Edward Elgar Publishing, Cheltenham, 2020, 67-81.
[31] Armstrong K.A., nt. (4).
[32] Bekker S., nt. (13).

https://doi.org/10.6092/issn.1561-8048/15702

first years of the Semester, economic and financial targets seemed to overrule employment and social policy measures .[33] Particularly, the Semester's focus on austerity measures and calls for structural reforms put pressure on national-level social policies.[34] For instance, CSRs were issued on higher pension ages, moderate wage growth and comprehensive reforms of collective bargaining systems.[35] Still, even during this period of austerity Member States made room to develop socioeconomic policies that went against the EU's recommendations. This happened particularly when countries were in the preventive stages of coordination, but at times also when they were in the corrective grip of coordination.[36] Apart from too strong a focus on economic goals, the Semester was criticised for not including national social actors sufficiently. Also because of the complexity of governance systems with different instruments operating across multiple governance levels, actors such as the social partners faced obstacles when they attempted to become involved in decision-making.[37] However, the Semester does provide opportunities for participation and these opportunities have proven relevant to national governments and national social partners, for instance to influence the content of CSRs.[38]

After a while, the devastating effects of the great financial crisis started to become visible, for instance in the spiking youth unemployment. Therefore, after 2015, recovery efforts were implemented.[39] Concerning the Semester, it has involved a gradual socialisation, giving more space to enhancing social ambitions in the CSRs.[40] Furthermore, in 2015 the Semester was extended to a full year's coordination cycle, which gives national governments more time to involve national parliaments, social partners and other stakeholders in discussing policy measures vis-à-vis national budgets.[41] Today, the Semester is a prominent and quite innovative EU governance mechanism that guides national socioeconomic policies.[42] The Semester has proven to be a fairly flexible governance mechanism that tailors its CSRs to a country's specific socioeconomic situation and adjusts its policy focus to dominant social and economic challenges. For instance, after 2017, the Semester started to include the goals of the Pillar of Social Rights (see further Section 4).[43] Moreover, as an example of multilevel

[33] Crespy A., Menz G., *Commission Entrepreneurship and the Debasing of Social Europe Before and After the Eurocrisis*, in *JCMS*, 53, 4, 2015, 753–768; Clasen J., Clegg D., *European labour markets and social policy: recent research and future directions*, in Nelson K., Nieuwenhuis R., Yerkes M. (eds), *Social Policy in Changing European Societies*, Edward Elgar, Cheltenham, 2022.
[34] For an overview of national reforms in this period *see* Degryse C., Jepsen M., Pochet P., *The Euro Crisis and Its Impact on National and European Social Policies*, in *European Trade Union Institute (ETUI) Working Paper* 05, 2013.
[35] Bekker S., nt. (13).
[36] *Ibid.*
[37] Ferrera M., *Social Europe and its Components in the Midst of the Crisis: A Conclusion*, in *West European Politics*, 37, 4, 2014, 825–843.
[38] Zeitlin J., Vanhercke B., *Socializing the European Semester: EU social and economic policy co-ordination in crisis and beyond*, in *Journal of European Public Policy*, 25, 2, 2018, 149–174; Bekker S., nt. (15).
[39] Pochet P., *Twenty years of the publication 'Social policy in the European Union': what have we learned?*, in *Social policy in the European Union 1999–2019: the long and winding road*, Brussels, ETUI/OSE, 2020, 13-35.
[40] Zeitlin J., Vanhercke B., nt. (38).
[41] See for example Munta M., *EU Socio-Economic Governance in Central and Eastern Europe*, Routledge, London, 2021.
[42] Verdun A. and Zeitlin J., *see* no. 18.
[43] Bekker S., nt. (13).

governance setting, the Semester hosts ample interactions between policymakers at the EU and national levels,[44] and therefore is classified as neither supranational nor intergovernmental.[45] National government representatives, trade unions and employers' associations, and parliaments all may play a role at the different stages of the coordination process, influencing norm-setting, policy design, implementation and evaluation.

As discussed in the section below, the Covid-19 crisis seems to mark a new stage in the evolution of the Semester as the RRF uses the Semester's CSRs as one of the conditions for financial support.[46]

3.3. Example 3: the Recovery and Resilience Facility.

During the Covid-19 pandemic the EU created strategies emphasising green, digital and inclusive growth, aimed at overcoming the crisis while creating a future-oriented agenda. Along with this strategy, the EU implemented the Recovery and Resilience Facility (RRF) to support both national public investment and reforms.[47] The RRF is a temporary recovery instrument that allows the European Commission to raise funds to help Member States implement reforms and investments. It makes available €723.8 billion in loans (€385.8 billion) and grants (€338 billion). Therefore, the RRF may be seen as a monetary-based instrument. The loans and grants are accessible only when a country meets certain conditions. The conditions include a certain level of spending on investments in the green and digital economy, but also on the implementation of reforms suggested by the CSRs adopted in the 2019 and 2020 European Semester cycles[48] (see also Section 4). Depending on the country, these recommendations cover a broad range of social policy, such as the inclusion of vulnerable groups in the labour market or giving the self-employed access to social security.[49] The reference to the CSRs means that coordination-based elements play a role in the monetary-based steering of the RRF.

The conditionality in accessing RRF funds seems not to be the same as top-down steering, at least according to the underlying Regulation. It is up to national governments to draft a national recovery and resilience plan (RRP), stating which investments and reforms they want to make and how these connect to the EU-level strategy to move towards a green, digital and inclusive economy. Moreover, the process was designed with considerable space for

[44] *Ibid.*
[45] Verdun A., Zeitlin J., nt. (18).
[46] Bekker S., nt. (15).
[47] De la Porte C., Dagnis Jensen M., *The next generation EU: An analysis of the dimensions of conflict behind the deal*, in *Social Policy and Administration*, 2021, https://doi.org/10.1111/spol.12709.
[48] Although the Netherlands RRP also refers to the 2022 CSRs, as the country submitted a reform and investment plan only in the summer of 2022.
[49] *See* Rainone S., *An overview of the 2020-2021 country-specific recommendations (CSRs) in the social field: the impact of Covid-19,* Background analysis 2020.01, Brussels, ETUI, 2020, for an overview of topics covered by CSRs.

involving domestic stakeholders in the process.[50] For instance, Article 18(q) of the RFF calls for the inclusion of local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders in the design and implementation of the RRPs. Such stakeholder involvement should be demonstrated in the RRP, as national governments were asked to include in the plan a section on consultation, as well as to explain how the views and ideas of stakeholders are reflected in the reform and investment ideas of the RRP.[51]

The three hybrid governance architectures portrayed in this section use either rule-based instruments, coordination-based instruments, monetary-based instruments or a combination of these. Although the three governance architectures have been described as stand-alone examples, the text has already revealed that they are interlinked. While Section 4 explores these interlinkages, the conclusion will pose questions on what these interlinkages imply for EU governance, for instance whether it is a sign of maturity, using the strengths of each of the governance architectures, or whether it results in excessive complexity.

4. Interconnections between governance architectures

This section briefly explores the linkages that have been made between the Pillar, the Semester and the RRF. These linkages are visible in various ways. For example, the European Pillar of Social Rights has been integrated both in the Semester and in the RRF. As regards the link between the Pillar and the Semester, the Pillar has helped to further socialise the Semester, while the Semester assists in monitoring the social performance of Member States as targeted by the Pillar.[52] For instance, part of the principles of the Pillar may be traced in the CSRs that the Semester issues to countries.[53] Moreover, congruent with a multi-level vision of governance, the only new policy tool that the Pillar really initiated was an updated list of social indicators (the Social Scoreboard), for which the European Semester was used for monitoring and benchmarking purposes. Moreover, the link between the Pillar and the Semester is visible in the Regulation on the RRF of February 2021.[54] This Regulation stipulates in its preamble (Part 4) that at EU level, 'the European Semester for economic policy coordination (European Semester), including the principles of the European Pillar of Social Rights, is the framework to identify national reform priorities and monitor their implementation'. In Article 4 on the general and specific objectives of the RRF, the goals of the Pillar are repeated. Moreover, information on whether and how the funds contribute to

[50] Munta M., Pircher B., Bekker S., *Ownership of national recovery plans: overcoming Europe's crisis of legitimacy through Next Generation EU?*, paper presented at the workshop 'Representative Democracy in Crisis Mode: Euro crisis and Covid-19 compared', Salzburg, 3 June 2022.
[51] *Ibid.*
[52] Aranguiz A., *Social mainstreaming through the European pillar of social rights: Shielding 'the social' from 'the economic' in EU policymaking*, in *European Journal of Social Security*, 20, 4, 2018, 341-363.
[53] Rainone S., nt. (49).
[54] Vanhercke B., Verdun A., *The European Semester as Goldilocks: Macroeconomic Policy Coordination and the Recovery and Resilience Facility*, in *JCMS*, 60, 1, 2022, 204-223.

meeting the goals of the Pillar is seen as essential information that the Member States should include in their RRP (Article 18). Subsequently, consideration for the principles of the Pillar forms part of the evaluation that the European Commission undertakes when assessing the RRPs (Article 19).

The RRF also explains the alignment with the Semester, which entails helping to address the national reform challenges as stated in the relevant CSRs.[55] Moreover, the Preamble (Part 42) states that, apart from meeting the (spending) targets on a green and digital economy, the criteria related to the CSRs and to the implementation of the Pillar's goals should require 'the highest score of the assessment' when the European Commission evaluates the RRPs. Overall, Vanhercke and Verdun (2022: 208) judge that using the Semester for RRF goal-setting, monitoring and evaluation exercises is a way of striking a balance between setting boundaries while acknowledging national autonomy. They explain this as, on one hand, using the Semester and its CSRs to guide the nature of national reforms, thus providing constraints. On the other hand, the Semester's soft mechanisms leave considerable leeway to Member States to select and implement the national policies they prefer. Vanhercke and Verdun (2022) find this essential in view of the RRF's ambition to steer a substantial number of policies and goals that are national competences. Moreover, while a considerable portion of RRF financial assistance is provided in the form of grants, loans are the major component, and national governments need to pay them back to the European Commission. This need to pay back considerable amounts of money is an additional argument for why national governments and parliaments should have a say in the choice of reforms and investments, and they require ample leeway to do so. Apart from the arguments made by Vanhercke and Verdun (2022), the interconnection of governance architectures, as explored in this article, may point towards using the opportunities offered by combining the strengths that each of the separate governance architectures. These interconnections between governance architectures might result in synergies: fruitful combinations of constraints applied to Member States by building in conditionalities, while offering guidance in monitoring and evaluation exercises and giving enough leeway for Member States to adjust policies to national challenges and preferences. Whether such synergies indeed emerge is a question that should be assessed in further (empirical) research. After all, the RRF is still relatively new.

For such an assessment we might learn from past experiences with conditional funding. Although historically the EU has scarcely used monetary steering and conditionalities, there are some recent examples.[56] Notably, after the 2008 great financial crisis, conditional funding or loans were part of the Memoranda of Understanding that the so-called bailout or programme countries signed with the 'Troika' of the European Central Bank, the International Monetary Fund, and the European Commission.[57] The reforms that were formulated as a condition for loans addressed core state functions in the fiscal, labour market

[55] *Ibid.*
[56] Jacoby W., Hopkin J., *From lever to club? Conditionality in the European Union during the financial crisis*, in *Journal of European Public Policy*, 27, 8, 2020, 1157-1177.
[57] Theodoropoulou S., *National social and labour market policy reforms in the shadow of EU bail-out conditionality: The cases of Greece and Portugal*, in *Comparative European Politics*, 13, 2015, 29-55.

and social policy domains.[58] Here, lessons could be learned from the very stringent conditionality for programme countries in contrast to the more relaxed conditionality the RRF seems to entail. In hindsight, the strict conditions for policy reforms in programme countries have proven to be too top-down, and included overoptimistic assumptions on the effects of the prescribed reforms on achieving EU economic goals.[59] At the same time, the prescribed reforms had severe negative effects on societies and economies. As a viable alternative, the RRF could be explored as a way of creating better socioeconomic policies, for example because it makes it possible to bring in the national level, including national stakeholders in the design and implementation phase of (social) policies. Another example of the past use of conditionalities is their use in the EU's cohesion funds after 2014, including the ESF. Here, the requirement was added to take relevant CSRs into account when designing national programmes.[60] This development has been taken further and lately ESF Plus links financial resources to meeting the targets of both the Semester and the Pillar.[61] These conditions in the ESF Plus could be compared to the link between the RRF, the Semester and the Pillar in order to seek differences and similarities in set-up and outcomes, viewing for instance the more explicit emphasis on social goals that the ESF Plus seems to make. Overall, it seems worth examining what the linking of governance architectures means in terms of EU governance and its outcomes.

5. Conclusion

Recent decades have witnessed ongoing innovation in EU governance.[62] This innovation has continued after the Covid-19 pandemic. A first significant and innovative step is the increased emphasis on monetary-based instruments, with the implementation of the temporary SURE and RRF facilities. A second innovative step is that large governance architectures such as the Pillar, the Semester and the RRF have been tied together more firmly and in a deliberate way. The implications of the two steps are yet to be assessed. Looking at past experiences, one might mention a number of questions that could guide future research and evaluation, particularly when departing from the idea of developing European social policy with the purpose of creating fair and inclusive societies. Ultimately such research could shed light on whether interlinking governance architectures is a sign of maturity, as it makes it possible to use their respective strengths, or whether it results in excessively complex EU governance that fails to achieve its goals.

[58] Jacoby W., Hopkin J., nt. (56).
[59] European Parliament, *Report on the enquiry on the role and operations of the Troika (ECB, Commission and IMF) with regard to the euro area programme countries*, 28 February 2014, (2013/2277(INI)), 40.
[60] Viță V., *Research for REGI Committee – Conditionalities in Cohesion Policy*, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels, 2018; Jacoby W., Hopkin J., nt. (56).
[61] Hermans K., Greiss J., Delanghe H., Cantillon B., *Delivering on the European Pillar of Social Rights: Towards a needs-oriented distribution of the social funds?*, in *EuSocialCit Working Paper*, June 2022.
[62] Armstrong K.A. nt. (12); Verdun A., Zeitlin J., nt. (18).

A first question concerns the balance between social and economic goals.[63] During the great financial crisis, the use of governance instruments often seemed to favour economic over social goals. The question is, how this plays out when using the RRF. What role do social goals play in both the set-up and the execution of the RRF? Are the integration of the principles of the Pillar and the emphasis on inclusive societies in the RRF Regulation enough? To put it more generally, how is the interplay of rule-based, coordination-based and monetary-based instruments related to the goals of European social policy? A second question concerns the appropriate balance between the input of the actors or stakeholders at the EU and national levels, where particularly in the social policy domain the social partners have a role to play. Is their inclusion sufficiently safeguarded by the Regulation on the RRF (with a link to principle 8 of the Pillar) and the requirement that governments need to provide detailed insight into the consultation process they have set up, as well as into the influence of stakeholders on the content of the RRPs? Do (national) stakeholders have sufficient resources, power and opportunities to play a fruitful role in the implementation of the plans? Following from the first two questions, a third question addresses the degree of (in)compatibility of different instruments operating in the same policy domain. Do these instruments complement or even strengthen each other, or is there rivalry between them, leading to suboptimal results? A fourth question concerns the degree to which the governance architectures are open to incorporate new challenges and new ideas that the evolving economies in our societies pose? Here, the nature of the rule-based instruments might be more static but also more forward-looking, as they build on fundamental norms and ideas constituting our societies. Coordination-based instruments, such as the European Semester, show more flexibility in including new challenges and are able to adjust to new demands quickly. While this is a benefit, it also harbours the risk of incorporating new fashions too easily without taking the time to think them through. Here, combinations of rule-based instruments and coordination-based instruments might actually be quite fruitful, as their combination may set basic norms while allowing adjustment to new challenges.

The list of questions reveals that EU governance in the social domain is still very much work in progress. The mapping exercise carried out in this journal issue is therefore of great value. As different conceptualisations of European social policy seem to go together, more insight is needed into smart combinations of tools, techniques and actor-involvement across governance levels that are able to deliver the desired results.

[63] *See also* Verdun A., Zeitlin J., nt. (18).