

Vanhercke, Bart; Verdun, Amy; Atanasova, Angelina; Spasova, Slavina; Thomson, Malcolm

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## From the European semester to the recovery and resilience facility: Some social actors are (not) resurfacing

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# From the European Semester to the Recovery and Resilience Facility

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## Abstract

In response to the Covid-19 pandemic, major financial support has been pledged to Member States. This funding draws on the EU's multiannual financial framework and the 'NextGenerationEU' with, at its core, the temporary 'Recovery and Resilience Facility' (RRF). While some reporting templates have been newly invented, others are linked to the European Semester. This report examines how and why the Semester became part of the governance of the RRF. We also ask *to what extent this new set-up has changed the power balance among key EU actors* (for example, financial and economic actors versus institutional social affairs actors)? Drawing on extensive document analysis and 32 semi-structured elite interviews, the findings suggest that initially, due to the crisis (and desire for fast action), there was a serious risk that EU *institutional social actors* were losing the prominence they had previously earned. They gradually reclaimed their position as the immediacy of the crisis subsided and a longer-term focus emerged. EU civil servants also engaged with *social partners* on both sides of industry, even though it is questionable whether this consultation has been really meaningful. EU *civil society organisations* (CSOs) have been largely sidelined in the RRF process; and likewise in most Member States, consultation with domestic *stakeholders* (both social partners and CSOs) has remained insufficient by any standard. The European Parliament was reasonably successful in securing its substantive impact during the RRF negotiations. But it has since failed to insert itself into the approval and assessment procedures applicable to the EU's recovery programme.

## Introduction<sup>1</sup>

In response to the Covid-19 pandemic, the European Council agreed to provide major financial support to Member States. Drawing on a combination of the EU's long-term budget (2021–2027) and an additional temporary support system known as 'NextGenerationEU' (NGEU), the EU is providing funds to help Member States with the fall-out from the crisis. A temporary institutional structure was created to support Member States in need. While the decision at the highest level was taken in summer 2020, formal establishment was finalised in February 2021 (European Parliament and Council of the EU 2021). The so-called 'Recovery and Resilience Facility' (RRF), at the core of the NGEU, provides financial support to Member States, notably through a combination of grants and loans. To access the RRF funds, Member States need to submit detailed national Recovery and Resilience Plans (RRPs).

While some reporting templates were newly invented, others draw on the European Semester (henceforth 'Semester'), the EU macroeconomic policy coordination framework. This report examines how and why the Semester became part of the governance of the RRF. We ask *to what extent this new set-up has changed the power balance among key EU actors* (for example, financial and economic actors versus institutional social affairs actors)? The report distinguishes between 'EU institutional' social actors and social 'stakeholders'. The former are made up of DG Employment, Social Affairs & Inclusion (DG EMPL) of the European Commission, the Employment, Social Policy, Health and Consumer Affairs (EPSCO) Council formation, the EU Employment and Social Protection Committees (EMCO and the SPC) and the European Parliament's Committee on Employment and Social Affairs (EMPL). Social stakeholders comprise both EU and national social partners<sup>2</sup> (representatives of workers and employer organisations) and civil society organisations. Wherever relevant, we distinguish between actor involvement at EU and national level.

The research done for this report draws on extensive document analysis and 32 semi-structured elite interviews (October 2020–November 2021), most of them conducted jointly by Bart Vanhercke and Amy Verdun. The persons interviewed hold senior positions, for instance in various European

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1. This report builds on and further develops Vanhercke and Verdun (2022). It has been summarised in Vanhercke and Verdun (2021).
  2. The European social partners are engaged in European social dialogue, as provided for under Articles 154 and 155 of the Treaty on the Functioning of the European Union (TFEU).



Commission Directorates-General (DGs), as representatives of European social partners (both sides of industry) and of civil society organisations. Other interviewees work in national administrations or represent their respective Member States in various EU Committees.<sup>3</sup>

This report is structured as follows. Section 1 examines how the functioning of the RRF has been envisaged, so far, in the context of the Semester. Section 2 looks at how the Semester is being adapted to become part of the new institutional set-up. Section 3 discusses the extent to which the governance of the RRF has given a prominent role to institutional social affairs players. Section 4 discusses consultation of EU and domestic social partners and civil society organisations (stakeholders) under the RRF, while Section 5 explores whether the Semester may become a bit ‘harder’ in the new RRF environment. The final section revisits the research questions and reflects on winners and losers in the revised macroeconomic governance architecture.

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3. In the text we refer to each interview with a dedicated code, adopting abbreviations to reflect the general institutional affiliation of the respondents, while guaranteeing anonymity. The abbreviations are as follows: BUSINESS (BusinessEurope), COM (European Commission), Civil Society Organisation (CSO), EESC (European Economic and Social Committee), EMCO (Employment Committee), ETU (European Trade Union), MEP (Member of the European Parliament), NOF (National Official) and SPC (Social Protection Committee). More details about the interviews (institutional affiliation, position, date and in-text code) can be found in Appendix 1.

# 1. The European Semester as a 'Goldilocks' mode of governance for the Recovery Facility

## 1.1 From the financial crisis to the pandemic

With the outbreak of the Covid-19 crisis, the EU faced major economic and social challenges. Political actors had learned the importance of a timely response and of being more proactive when facing a major crisis, especially in the wake of the euro crisis (Verdun 2015; Ladi and Tsarouhas 2020). With a new European Parliament and a new Commission in 2019, and the withdrawal of the United Kingdom officially completed on 31 January 2020, the EU was better positioned to take more forceful action. The European Central Bank (ECB) was among the first EU actors to offer support, starting on 18 March with the announcement of the Pandemic Emergency Purchase Programme (PEPP), worth 750 billion euros (€), which by the end of the year had been increased to €1,850 billion. The European Council held numerous meetings. Member State governments put forward proposals including possible deepening of European integration: Spain<sup>4</sup> in April, and in mid-May 2020 France and Germany (French Ministry of Europe and Foreign Affairs 2020)<sup>5</sup> advanced joint proposals for the creation of a €500 billion recovery fund. Others – the so-called 'Frugal Four' (Austria, Denmark, Sweden and the Netherlands, to some extent supported by Finland) – were less enthusiastic about the idea of giving too much discretion to the EU level. Led by the Netherlands, these countries emerged as a surprisingly strong coalition (de la Porte and Jensen 2021) and were able to delay and to tone down, to some extent, the size and scope of the proposed supranational measures.

The Frugal Four demanded a mechanism that could hold countries to account: some form of conditionality that would enable critical Member States to stop the process (Celi *et al.* 2020; Lofven 2020; Schulz and Henökl 2020; Verdun 2021; interviews COM6, MEP2, NOF2, NOF4, NOF5). The Southern countries were opposed to strong conditionality, worried about being stigmatised (Giurlando 2021) and had a different interpretation of the meaning of fiscal solidarity (see also Schure and Della Posta 2021). In the end the RRF was part of a policy response to tackle the economic recession triggered by the Covid-19 pandemic: the NGEU (€750 billion). Based on the 2020 figures (in

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4. Spain's non-paper on a European recovery strategy, 19 April 2020, <https://g8fipikplyr33r3krz5b97d1-wpengine.netdna-ssl.com/wp-content/uploads/2020/04/Spain-.pdf> (see Politico 2020).

5. The revival of the Franco-German alliance was crucial in enabling adoption of the grant instrument in the NGEU (de la Porte and Jensen 2021).

euros), the RRF represented by far the largest proportion of the response: €672.5 billion. Other programmes include: ReactEU (€47.5 billion), InvestEU (€5.6 billion), Horizon Europe (€5 billion), Rural Development (€7.5 billion), the Just Transition Fund (€10 billion), and RescEU (€1.9 billion). The EU managed to combine existing budgetary expenditure with new funds. It issued debt to finance these expenses; the debt issued and the expenditure were unprecedented (Fabbrini 2022), to some extent breaking old taboos (Alcidi and Corti 2021).<sup>6</sup> The European Commission insisted that these funds be spent in pursuit of certain goals: the digital transition, the energy transition and stimulation of social and inclusive growth with an eye on the next generation (EP and Council of the EU 2021).

Enter the European Semester: this mode of governance underlying macro-economic policy coordination involves many societal actors. It is based on Country Reports and non-binding (although Treaty-based) Country-specific Recommendations (CSRs), which are initially proposed by the European Commission following consultations with Member States. The final adoption of the CSRs, however, remains in the hands of the Member States through the Council. The Semester has evolved over time to be ‘not too soft and not too hard’, leaving ample room for manoeuvre regarding the choice of policies to be implemented.<sup>7</sup> Countries of the ‘North’ and of the ‘South’ have been given different recommendations in this regard, with Germany and the Netherlands being encouraged to increase wages, whereas the ‘South’ was advised to keep tabs on wage increases (D’Erman *et al.* 2022).

## 1.2 Not too hot, not too cold: just right

Although it has been an integral part of the EU’s socio-economic governance since its inception in 2011, the effectiveness of the Semester has been mixed, and compliance with CSRs modest (Haas *et al.* 2020; Hagelstam *et al.* 2019). It was therefore not immediately obvious to the authors of this report that the Semester would be taken as central to the new macroeconomic governance, even though it has been identified as a mode of governance that seeks to achieve various objectives and respond to differing pressures. These include, for example, balancing economic and social objectives; supranational and intergovernmental tendencies; and technocratic and democratic modes of governance (see Verdun and Zeitlin 2018). Some assessments of the Semester focus on issues tackled by the CSRs and include case studies, whereas others take stock of overall compliance with the overarching CSRs (D’Erman and Verdun 2022). Yet it remains a challenge to identify direct causality – that is, how much influence the CSRs have actually had on domestic policies (interviews COM6, NOF2, NOF3, NOF5, NOF7; D’Erman *et al.* 2022). The seriousness with which Member States have regarded the process has

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6. Not all scholars agree that this situation represents a true break with the past (for example, Howarth and Quaglia 2021).

7. See Bekker (2020) for a discussion of ‘hardening’ and ‘softening’ trends in CSRs regarding pensions and wages; and Knodt *et al.* (2020) on energy policy.

indeed varied a great deal (Bokhorst 2022; Van der Veer 2022). Ultimately, responsibility for domestic policies lies with the Member States; the aim of the Semester is to guide EU-wide coordination.

Elsewhere, Vanhercke and Verdun (2022) have argued that the Semester has served as a ‘Goldilocks’ (Mure 1831/2010) mode of governance. The reference is to the children’s story ‘The Three Bears’, in which a young girl named Goldilocks tastes three different bowls of porridge and finds she prefers porridge that is neither too hot nor too cold, but just right. In the same vein, the Semester provides structure and direction, while not being overly intrusive. Those more in favour of EU-level intervention find the Semester insufficient because it is *not stringent enough* (Bokhorst 2022); those who are more dismissive of hierarchical rule by the EU over the Member States find that the EU is *interfering too much* (Schout 2021).<sup>8</sup> Yet in choosing the CSRs and the mechanisms underlying governance, the Semester seems to have been ‘just right’: not too hard and not too soft.

Within the governance of the RRF, the Semester is perceived as appropriately situated between these two extremes, enabling a balance to be struck between providing sufficient constraints while leaving considerable leeway to the Member States to choose and implement their preferred domestic policy options. The latter is essential because many of the issues addressed in the context of the RRF are firmly entrenched national competences, and because a significant part of the newly available funding consists of loans to countries.

### 1.3 The Semester and the RRF: intrinsically linked

How has the alignment between the Semester and the RRF become institutionalised? The broad picture of how the RRF is embedded in the Semester can be understood from various EU documents. The European Commission paved the way, in its May 2020 Communication on CSRs, when it underlined that the ‘close alignment between the EU budget and the Semester is essential’, while pointing to the continued importance of the (refocused) Semester, notably to guide ‘reforms and investments’ (European Commission 2020e: 15–16). While the July European Council (2020) left the detailed governance of the recovery instrument unsettled (Fabbrini 2022), it played an important role in cementing the position of the Semester. Although it was not at all certain at the outset, the European Council conclusions indeed endorsed the stronger link between the EU budget and the Semester, as well as the need for further implementation of the European Pillar of Social Rights, and equal opportunities for all (European Council 2020: para. 17). These views are reflected in the RRF Regulation of February 2021, which stipulates that ‘the European Semester for economic policy coordination (European

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8. Savage and Howarth (2018) report the first case of sanctions against a region, while Baeten and Vanhercke (2017) flag the EU’s increasingly intrusive economic surveillance of national healthcare systems.

Semester), including the principles of the European Pillar of Social Rights, is the framework to identify national reform priorities and monitor their implementation' (EP and Council of the EU 2021: 3(4)).

The alignment between the Semester and the RRF is explained in the Regulation as occurring along three lines. First, the RRP will help to address 'all or a significant subset of' challenges identified in the relevant CSRs, or in other relevant documents officially adopted by the Commission in the Semester. Second, in order to streamline the content and the number of documents requested, Member States *may* submit their National Reform Programmes (NRP) and their RRP in a *single integrated document*. Third, twice-yearly reporting on the progress made in achieving the investment and reform commitments will take place *in the context of the Semester* (European Parliament and Council of the EU 2021, emphasis added).

The final RRF Regulation also confirms that the criteria related to (i) the CSRs, (ii) the strengthening of growth potential, job creation and economic, social and institutional resilience,<sup>9</sup> and (iii) the implementation of the EPSR, 'should require the highest score of the assessment'. In addition, 'effective contribution to the green and digital transitions should also be a prerequisite for a positive assessment' (European Parliament and Council of the EU 2021: 21): each RRP will have to include a minimum of 37 per cent of expenditure related to climate and a minimum level of 20 per cent of expenditure related to digital initiatives. By contrast, no explicit 'social' targets have been included in the RRF Regulation agreed between the Council and the European Parliament. This lack of explicit social targets has occurred despite the debate at the Employment, Social Policy, Health and Consumer Affairs (EPSCO) Council about setting such social targets, notably in the context of the Pillar Action Plan. The Social Platform (2020a), from its side, had called for the 'inclusion of a 25 per cent earmarking for social investment, as well as bringing back the implementation of the EPSR to the forefront of the European Semester'.

The ASGS 2021 illustrates why domestic and EU policymakers had decided that the Semester and the RRF were to become 'intrinsically linked' (European Commission 2020b: 12): the Semester provides a well-established (that is, predictable and comprehensive) framework for the coordination of economic and employment policies, to guide the EU and the Member States through the challenges of the recovery and twin transitions (European Commission 2020b: 5). The Semester offers important information and presentational advantages for identification of the priority areas in the preparation of RRP, which cover a wide variety of policy initiatives, while the timeframe for setting a complex and multifaceted national reform agenda for the RRP was very tight (roughly between October 2020 and April 2021, when the draft RRP were due). As

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9. The RRF Regulation defines 'resilience' as 'the ability to face economic, social and environmental shocks or persistent structural changes in a fair, sustainable and inclusive way' (European Parliament and Council of the EU 2021: Art. 2 (5)).

some interviewees argued, by building on Semester tools and practices, the Member States have a chance to get their reform and investment priorities ‘right’ from the very beginning, especially given the one-off nature of the formulation of the RRP (interviews COM5, ETU2, MEP1; see also Moschella 2020: 9, 20). The fact that *all* CSRs are deemed relevant does not solve the challenge that RRP are expected to be consistent with multiple priorities, which also makes it difficult for the Commission to steer the planned reforms and investments (interviews COM6, EMCO2, ETU2, NOF4, NOF5).

## 1.4 The European Parliament: substantive but not political gains?

While the final RRF Regulation agreed between the European Parliament and the Council mainly formalises the arrangements decided upon in the previous months, some key changes are worth flagging. First, while the text does not include the ‘social targets’ some hoped for (see 1.3)<sup>10</sup>, the European Parliament, in its first (and only) reading, successfully undertook to give the EPSR more prominence in the final Regulation (European Parliament 2020),<sup>11</sup> as well as including the principle of collective bargaining. Importantly, the European Parliament has enlarged the scope of the Regulation by expanding Article 3 with reference to the EPSR: ‘social and territorial cohesion, taking into account the objectives of the European Pillar of Social Rights’ (ibid).<sup>12</sup> Crucially, as mentioned above, ‘contributing to the implementation’ of the European Pillar of Social Rights (EPSR) is now added to the list of criteria that ‘should require the highest score’ of the Commission’s assessment of the plans, even preceding ‘contribution to the green and digital transitions’ (European Parliament and Council of the EU 2021: §42).

Equally important is the fact that, while the Commission’s draft RRF Regulation was completely silent on gender issues, now, as a result of the European Parliament’s strong bargaining (interview MEP1; O’Dwyer 2022), the final text not only recognises that women ‘have been particularly affected by the Covid-19 crisis’, but also requires Member States to explain how the measures in their RRP ‘are expected to contribute to gender equality and equal opportunities for all and the mainstreaming of those objectives’ (ibid: 63(o)). Throughout the text of the Regulation, the European Parliament has

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10. The European Parliament had called upon the Commission ‘to develop social targets, including on poverty reduction’ (European Parliament 2020: (11)).

11. The EPSR was referred to a single time in the draft RRF Regulation, in the ‘whereas’ clauses (European Commission 2020a: 10(3)); the final Regulation refers more than ten times to the EPSR. The European Parliament (2020) also added the following to Recital 11 in the preamble: ‘In their recovery and resilience plans, Member States should pay particular attention to support and empowerment of workers that may suffer from the consequence of the transitions, in particular by implementing the European Pillar of Social Rights and defending the principle of collective bargaining.’

12. The Opinion of the European Parliament’s Committee on Employment and Social Affairs had even more extensive suggestions on that front (EMPL 2020).



included references to the Union's Gender Equality Strategy 2020–2025, as well as to gender mainstreaming.<sup>13</sup> It is potentially important that the Parliament also managed to include a reference to 'gender impact assessment' of the RRP (Article 16, paragraph 2).

These points illustrate the broader finding that the European Parliament was able to organise a 'grand coalition' (with three rapporteurs from the three main party-groups)<sup>14</sup> to handle this strategic file. As a result, the European Parliament as a whole was able to put its mark – in a context of very tight time constraints<sup>15</sup> – on the RRF Regulation (interviews MEP1, MEP2; Crum 2021). Comparing the draft RRF regulation from the Commission with the revised text following the European Parliament's first reading, Closa Montero and colleagues (2021) identified the European Parliament's impact, concentrating on the following aspects: access to information (for example, the European Parliament will remain fully in the loop of documents exchanged between Member States and the Commission); establishing improved accountability mechanisms (for example, a new 'Recovery and Resilience Scoreboard' will display progress on the implementation of the RRPs) and implementation procedures; and spending priorities and criteria for assessing national recovery plans (Closa Montero *et al.* 2021: 166).

The latter point is of course key: the European Parliament managed to broaden the objectives of the RRF to six European policy priorities (but no special arrangements are made for EU flagship projects) and secured the incorporation of a range of wider societal concerns (interviews MEP1, MEP2). Importantly, Member States, Council and Commission agreed to commit to the requirements of a minimum of 37 per cent for green measures and 20 per cent for digital initiatives. Consequently, to determine the shares of these two primary policy areas, elaborate systems of 'climate tracking' and 'digital tagging' have been developed (Crum 2021). Crucially, however, the European Parliament failed to insert itself in the process of assessing the RRPs (and thereby in the revamped European Semester): the decision on the RRPs remains an 'implementing act' (and not a 'delegated act'<sup>16</sup>) which is adopted by the Council on a proposal from the Commission, effectively excluding the European Parliament from appraisal of the plans.

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**13.** Namely, in the preamble, recitals 5a, 5b, 6g, 16b, 20a, as well as in Article 4 (outlining the specific objectives of the Regulation) and Article 14 (eligibility).

**14.** Eider Gardiazabal Rubial (S&D), Siegfried Mureşan (EPP) and Dragoş Pîslaru (Renew). The European Parliament (2020) first reading position was adopted with a sweeping majority: 582 votes in favour, 40 against and 69 abstentions.

**15.** The European Parliament effectively started working in mid-summer 2020, once the heads of state and government had sealed the NGEU deal. The European Parliament (2020) adopted its first reading position on 13 November. It took barely a month for agreement to be reached between the Council presidency and the Parliament, which was confirmed on 18 December 2020.

**16.** Parliament and Council may revoke the delegation or express objections to a delegated act. Once the Commission has adopted the act, Parliament and Council generally have two months to formulate any objections.

Another European Parliament achievement was that Member States now must indicate whether they consulted with stakeholders about their draft RRP and how this consultation is reflected in the RRP (see Section 4 for a detailed discussion). The European Parliament also managed to obtain a mandate for the European Commission to develop (through delegated regulation) a methodology for reporting social expenditure, including on measures aimed at children and young people, and at improving gender equality (European Parliament and Council of the EU 2021: 31§63). The methodology's objective is to provide, in a transparent and accountable manner, summary information on the social expenditure under the Facility.<sup>17</sup> This compromise was the only one that was acceptable to the Member States to counterbalance somewhat the lack of social targets in the RRF Regulation (interviews COM11, NOF7; see Section 2.2).

Finally, albeit not exclusively related to the RRP, the European Parliament insisted on ensuring that the rule of law be upheld, prompting the Commission to delay the adoption of the Hungarian and Polish plans. In a similar vein, a resolution adopted in February by the EESC (2021) brings to the fore the problem of the rule of law and democratic backsliding in the planning and implementation of the RRP. The Resolution emphasises that the RRP must abide by the principles of 'the protection of human and social rights, democratic values and the rule of law' (ibid, Para 1.2), implementing the RRP in accordance with the values enshrined in Article 2 TFEU. For this purpose, to address any potential flaws, the RRF design envisages a so-called 'emergency brake' (see Recitals 52 and 53 of the Regulation preamble). This provision served as a compromise between the initial Commission proposal and pressure from the Frugal Four to insert a Council veto, as an emergency mechanism when an issue of mutual trust arises concerning the spending of RRF funds in an EU Member State. In case of disagreements over implementation and disbursements, a Member State may take the issue to the European Council (interview COM10).<sup>18</sup> The much more extensive wording on the rule of law suggested by the European Parliament<sup>19</sup> in the first reading

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17. The Commission will assign each measure with a primary social dimension to one of the nine social policy areas, which are to be aggregated into four broader social categories, namely: (i) employment and skills, (ii) education, (iii) health and long-term care, and (iv) social policies.

18. 'The release of funds under the Facility is contingent on the satisfactory fulfilment by the Member States of the relevant milestones and targets, set out in the recovery and resilience plans, the assessment of such plans having been approved by the Council. Before a decision authorising the disbursement of the financial contribution and, where applicable, of the loan, is adopted by the Commission, it should ask the Economic and Financial Committee for its opinion on the satisfactory fulfilment of the relevant milestones and targets by the Member States on the basis of a preliminary assessment by the Commission' (European Parliament and Council of the EU 2021: Recital 52).

19. Recital 16k of the preamble of the Regulation, as suggested by the European Parliament, and the thorough procedural elaboration in Article 9a (on the 'measures linking the Facility to the protection of the Union budget in the case of generalised deficiencies as regards the rule of law') have been entirely deleted in the last version of the Regulation, leaving almost no trace of the rule of law condition. Even the brief mention of the rule of law in the first version of the Regulation (proposed by the European Commission in Recital 39 of the preamble) has been deleted in the very final version adopted on 12 February 2021.



of the Regulation has been watered down by the Council (at the insistence of Hungary and Poland). It remains to be seen, therefore, whether the rule of law mechanism will have actual teeth during the implementation of the RRF.

## **1.5 Managing the RRF: the European Commission in pole position**

The official EU documents discussed above also provide a broad-brush view of how the RRF is to be managed in procedural terms. The steering of the RRF's implementation, as well as coordination of the Semester, is centralised within the Recovery and Resilience Task Force (RECOVER), which was newly established in August 2020 within the European Commission's Secretariat-General (SECGEN). Working in close cooperation with the Directorate General for Economic and Financial Affairs (DG ECFIN), the Task Force reports directly to the Commission President. A formal role has also been assigned to the Economic and Finance Committee (EFC), even if in practice much of the actual deliberations take place in the 'technical' Council preparatory bodies (Coreper II). The Commission should ask the opinion of the EFC, which has the right to pull the 'emergency brake' if a Member State has not fulfilled the required milestones (representing qualitative achievements) and targets (representing quantitative results) set in its RRP, the basis for the assessment of payment requests. In this unlikely case, the matter may be referred to the European Council.

While the emergency brake can theoretically slow down disbursement of funds by up to three months, some argue that the RRF 'has placed the [European Commission] in the driving seat to steer and monitor the use of funding' (Corti and Núñez Ferrer 2021: 4). One of our interviewees confirms that Member States 'will have to heavily, heavily rely on the Commission', as smaller countries in particular 'will have difficulties to really challenge the Commission assessment' (interview COM6), especially because satisfactory fulfilment of milestones and targets will be the key to unlocking the money (interviews NOF6, NOF7, COM11). By (i) encouraging Member States to 'interact with its services to informally and bilaterally discuss the draft plans' as early as possible when preparing them (European Commission 2020b: 13), and (ii) providing Member States with (initial and updated) guidance on how best to present their recovery and resilience plans (European Commission 2020c; European Commission 2021a), the Commission has immediately risen to the challenge in a new context, in which the institution does much more than manage the practical implementation of RRF governance. The Commission can now raise resources and run a supranational economic policy, while its negative assessments (or a threat of these) can block their disbursement. It should be noted that, in practice, the latter scenario is very unlikely, in view of the shared interest of all parties concerned to spend the money without delay. Nevertheless, the Frugal Four were initially critical of disbursing funds without some form of checks and balances: the Commission will need to remain sensitive to these opposing pressures from Member States.

This institutional set-up for managing the RRF has given rise to considerable concern among EU institutional actors and social stakeholders alike. Many of our interviewees were worried about (i) the inclusion of social affairs players, and (ii) the incorporation of social priorities in the key RRF decisions.<sup>20</sup> The concern initially was that the gradual achievements during the past European Semester cycles on these two points had been abandoned in the initial RRF set-up. By the end of 2020, however, the tide was turning, and various EU-level *institutional* social actors managed to have their voices heard again in the Semester, and through it, in the RRF. As we discuss further in Section 4, the involvement of social *stakeholders* (social partners and civil society organisations) has been inadequate, both at the European and domestic level.

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**20.** These two points together are referred to by Zeitlin and Vanhercke (2018) as ‘socialisation’.

## **2. Temporary European Semester adaptations to the RRF: EU economic governance 'on hold'?**

This section examines how the inclusion of the Semester in the RRF changes economic policy coordination. Some aspects of the Semester have remained largely unaffected, whereas others were interrupted by the pandemic. It was not always clear to the players involved whether these changes were temporary and would eventually return to the usual processes, or whether they represented a break with past practices.

### **2.1 Continuity: the Semester Autumn package**

What remained the same was that the European Commission published its Semester Autumn package, as planned, on 18 November 2020, basing it, as usual, on its Autumn 2020 Economic Forecast. The package includes the *Opinions on the Draft Budgetary Plans* (DBP) of the Euro Area Member States for 2021 and the *Euro Area recommendation* (European Commission 2020d), adopted by the Council in January 2021. The Autumn package provides policy guidance on the short-term priorities that Euro Area Member States should pursue in their RRP to address the pandemic.

The Semester Autumn package also includes the *Alert Mechanism Report* (AMR), which finds increased risks of imbalances in the twelve Member States that had already experienced imbalances before the Covid-19 pandemic. The package also contains a proposal for a *Joint Employment Report* (JER), which shows that the groups hardest hit by the Covid-19 crisis were young people – who form an important contingent of non-standard and self-employed workers – as well as women. As the Employment Committee (EMCO) and Social Protection Committee (SPC) point out, the impact of the pandemic on the workforce varied in terms of severity (EMCO and SPC 2021: 8). Through its in-depth analysis, the JER helped Member States identify priority areas for reforms and investment, to be included in their RRP. In several Member States, anti-crisis measures have been designed jointly with the social partners (EMCO and SPC 2021). As a result, Member States are 'extensively using or plan to use, in addition to national funding, available EU funds – notably the European Social Fund Plus and the Recovery and Resilience Facility – in order to carry out relevant reforms' (EMCO 2021: 5).

## 2.2 Temporary transformation: the end of the Semester as we knew it

Some other components of the Semester, however, were transformed very quickly, to align them with the RRF. Consequently, many of our interviewees felt that key aspects of the Semester were ‘on hold’, ‘frozen’ and ‘hanging in the background’, while others referred to ‘lightening’ or ‘streamlining’ (interviews COM5, COM6, SPC1, ETU2) of the 2021 cycle of the Semester to reduce the reporting burden for the national and EU administrations, uphold consistency in the key messages coming from the EU, and channel the RRF money to the Member States as soon as possible. Thus, the Commission’s *Annual Sustainable Growth Strategy* (ASGS) 2021 was published two months earlier than scheduled (in September 2020), without the usual consultation at the national or EU levels (causing tensions with, among others, the European social partners; interviews COM4, ETU1, BUSINESS). As demonstrated above, the document was transformed into strategic guidance to the Member States for the implementation of the RRF (European Commission 2020b).

An even more significant change was made to the *Country Reports*, which were not adopted by the European Commission in 2021, in the absence of the Semester ‘Winter package’: Country Reports have been replaced, as the Semester’s main analytical reference documents (also acting as a basis for the annual CSRs), by the assessment which the Commission made of the RRFs during the summer of 2021. Member States were asked to submit these reports between 15 October 2020 (draft plans) and 30 April 2021 (final plans), even though a large majority submitted after these deadlines (see Section 2.3). The assessments have been published, in staggered batches,<sup>21</sup> in the form of Staff Working Documents, together with Commission proposals for Council implementing Decisions.<sup>22</sup>

*Multilateral surveillance* between Member States, one of the slowly built cornerstones of the Semester, has continued, in the months following the announcement of the RRF in May 2020, through a largely written procedure, in very difficult (pandemic) circumstances. While more emphasis was placed on bilateral dialogue between the Commission and individual Member States concerning the reforms and investments proposed in the RRF, there ‘was a clear intention not to lose what had been built up in terms of multilateral surveillance during the previous years’ (interview SPC1). Both the peer reviews organised as part of the European Employment Strategy ‘Mutual Learning Programme’ and the peer reviews in social protection and social inclusion (SPC) continued, even if stakeholders seem to have been given a less prominent role (CSO3).

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21. Depending on the delivery of the Recovery and Resilience Plans and the finalisation of the Commission’s assessments.

22. At the time of writing (mid November 2021), 26 RRFs have been submitted to the Commission, 22 of which have been approved by the Commission. Some 19 plans have so far been adopted by the Council, while pre-financing has been disbursed to 17 Member States. For the Commission assessment of the Recovery and Resilience Plans see: [https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/recovery-and-resilience-plans-assessments\\_en](https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/recovery-and-resilience-plans-assessments_en)

The most notable change brought about by the Covid-19 pandemic in the 2021 Semester cycle is that *no new Country-specific Recommendations* (CSRs) have been issued to Member States that have presented an RRP, except on fiscal matters in the context of the Stability and Growth Pact (SGP).<sup>23</sup> During 2021 all earlier CSRs remain valid and should steer the reforms and investments proposed by the Member States in their RRP. In practice, however, this process has its limitations: as the European Court of Auditors (2020: article 46) pointed out in its opinion on the RRF, ‘in certain cases, the CSRs contain a mix of issues, and generally lack clear timeframes and costs’. It could therefore be expected that Member States will endeavour to spend the new funds according to their domestic preferences, while the Commission will seek to ensure that each RRP contains the required expenditure related to climate (37 per cent), digital transition (20 per cent), and employment and social policies (that is, linked to the Action Plan of the EPSR). Initial analysis of the RRP indeed confirms that the spending priorities have been closely linked to the last cycle of CSRs in several Member States (Corti *et al.* 2021; Pilati 2021).

A final key change that has occurred in the 2021 Semester cycle relates to the involvement of social actors: we discuss this aspect in detail in Sections 3 and 4.

### 2.3 The ‘social’ quality of the RRF: the jury is still out

At this point, any overall assessment of the social quality of the RRF must remain tentative. We can only paint a first picture of the extent to which the European Commission (including by referring to the Action Plan of the EPSR), has been able to influence the social priorities of the RRP. Indeed, such an assessment has been difficult to make because several RRP were submitted only recently and most of them are still (several months since their submission) available only in national languages, adding to the sentiment that the RRP process has been untransparent (interviews CSO2, Eurofound). Some initial findings can be highlighted, however. First, there is the element of timing: several of our interviewees pointed out that the Pillar Action Plan was published too late (that is, at the beginning of March 2021) for them to impact the RRP drafting process (interviews ETU2, EMCO2, NOF5). This situation occurred in Portugal (the first Member State officially to submit its RRP to the Commission, on 22 April 2021) and in Germany, where there was a high-level political agreement on the use of the funds already in August 2020. The setting was of course very different in countries such as Estonia and Czechia (RRP submitted June 2021), Malta (plan submitted July 2021), let alone in Bulgaria (plan submitted October 2021) or the Netherlands (no RRP submitted at the time of writing). It should be noted that, in several Member

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<sup>23</sup> The general escape clause remains in place for as long as it is deemed necessary to allow Member States to implement measures to contain the coronavirus outbreak and mitigate its negative socio-economic effects.

States, unexpected events, such as a change of domestic government, have considerably affected the planning and preparation of the RRP. The 2021 Italian government crisis (January–February 2021) ultimately gave more time for consultation with different stakeholders, and resulted in revisions to the RRP once the government of Mario Draghi was in place. In other EU Member States, the elaboration of the RRP has been considerably delayed: this is the case for Bulgaria (where a caretaker government has been in place since May 2021), and the Netherlands, where government formation talks have become the longest on record and are at the time of writing still ongoing (since the 17 March 2020 elections). Thus, the timing is only a partial factor in explaining the place of social targets in the RRP.

The question of the place of social reforms and investments in the RRP is intrinsically linked to the situation of the country *before* the pandemic, as countries may already have identified issues and planned investments and reforms (in several cases also highlighted in previous CSRs) (Corti *et al.* 2021, interview NOF5, Pilati 2021). For instance, both the Portuguese and Spanish RRP are assessed to be largely based on the 2019 CSRs, and both plans include several social protection and social inclusion reforms. In the case of Portugal, almost half of the RRP funds are focused on two pillars, one of which is linked to social issues: ‘health, and economic, social and institutional resilience (25 per cent) and green transition (24 per cent), while smart, sustainable and inclusive growth and digital transformation’ account for respectively 23 per cent and 15 per cent of the investments (Corti *et al.* 2021).

It remains to be seen whether the ‘social recalibration’ of the RRF objectives obtained by the European Parliament during the negotiations on the Regulation (see Section 1.4) has ultimately impacted the social quality of the RRP: in the absence of quantitative social targets (also because it seems more difficult to agree on social targets than on green or digital targets), Member States seem to be largely free to choose the extent to which they also wish to invest in social reforms and investments. One of our interviewees, however, points out that during the EPSCO meeting in June 2021, a large majority of Member States affirmed that they had already introduced the headline targets in their RRP. Seemingly, the Porto Social Summit in May 2021 was a boost to the incorporation of social objectives and targets into the draft plans (interview NOF4). Furthermore, ongoing research by Eihmanis (2021) suggests that the European Commission has been strategically using the RRF to push for long-term structural social reforms, based on long-standing CSRs, in the economically liberal Baltic countries (in Latvia, for instance, the Commission seems to have been pushing for a higher guaranteed minimum income<sup>24</sup>).

Some of our interviewees highlight that one of the reasons for the lack of quantified social objectives in the RRF is that there is no good methodology

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24. Private correspondence with Edgars Eihmanis.

for translating social expenditure into quantified targets: ‘the way out is to define a methodology to track social expenditure and put it in a regulation [...]. There’s no hard target but we’ll try to know how much will be spent in those areas’ (interview NOF4). Such a methodology for reporting social expenditure in the RRP was adopted by the European Commission (2021c) at the end of September 2021<sup>25</sup>: a delegated regulation (based on Article 29 (4) of the RRF Regulation) sets out the methodology to be used for reporting social expenditure in the RRP, emphasising ‘adequate reporting on the implementation of measures that have a social dimension, [...] including on children and [young people]’ (European Commission 2021c). Importantly, gender equality should also be flagged in reports on social expenditure. The new methodology consists of two steps: (i) each reform and investment included in the RRP ‘with a primary social dimension should be associated by the Commission, in consultation where necessary with that Member State’ with a specific social policy category, and (ii) each measure of a social nature with a specific focus on children, young people and gender should be flagged, allowing for specific reporting on expenditure in these areas (ibid: Article 1).

This delegated regulation clearly goes beyond the ‘technicalities’ of budgeting: it sends a clear signal about the importance of social investments and reform, echoing what the European Parliament proposed in its first reading. Tagging money through a harmonised methodology indeed provides a way of ensuring that resources are spent on specific objectives (interview NOF4). What is more, through this methodology, which the Member States are obliged to apply, the Commission ensures its role in mapping and comparing domestic resources spent on social measures: the role of the EU in scrutinising employment and social policies, which has been expanding for more than a decade in the context of the Social Open Method of Coordination (OMC), can thus be seen as further enhanced.

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**25.** See more about the *Recovery and Resilience Facility – Methodology for reporting social spending* on the European Commission website, available at: [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13145-Recovery-and-Resilience-Facility-methodology-for-reporting-social-spending\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13145-Recovery-and-Resilience-Facility-methodology-for-reporting-social-spending_en). Last accessed: 28 October 2021.



### **3. The recovery facility: institutional actors in search of a place at the table**

A key concern following the summer 2020 European Council was whether those actors traditionally involved in the Semester would now also be involved in the renewed macroeconomic policy coordination. *Would EU institutional social actors have a smaller role to play, as they feared initially? Or would they manage to have their voices heard after all?*

#### **3.1 Initial fears: social affairs territory contested (again)**

Nearly all our interviewees (for example, COM2, COM3, COM4, COM7, CSO1, CSO2, EMCO1, ETU1, NOF1, NOF5, SPC1) explained that, during the first weeks following the decision to launch the RRF, the ‘institutional EU social affairs players’ felt that they had lost much of the voice they had acquired slowly but surely through ‘socialisation’<sup>26</sup> of the Semester (Zeitlin and Vanhercke 2018). The European Trade Union Confederation (ETUC) and the Social Platform (2020b) were concerned about social stakeholders’ lack of involvement in the design and adoption of the RRP.

Importantly, however, several of our respondents felt that social players had been side-lined not because of a deliberate decision to rule out social actors, but rather as a result of ‘crisis policymaking’ and ‘improvisation’ during a ‘storm from all sides’, when ‘everything was happening at the same time’ (interviews COM4, NOF4, NOF5). The fact that the ‘territory’ gained by social affairs players over the past decade again seemed to be in doubt is nevertheless striking, because the RRP are supposed to contain ‘measures that aim to strengthen social cohesion and social protection systems’ (European Parliament and Council of the EU 2021: 6 (2.3)). The emphasis placed on social issues is also reflected in the RRP that have been approved by the Commission (interview COM9), whose analysis of the recovery plans shows that around 30 per cent of total expenditure in these plans will be directed to social and health policy (Agence Europe 2021). The source of the 30 per cent

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<sup>26</sup> Socialisation comprises (i) a growing emphasis on social objectives in the Semester’s policy orientations; (ii) intensified monitoring, surveillance and review of national reforms by EU social and employment policy actors, and (iii) an enhanced role for these actors relative to their economic policy counterparts in drafting, reviewing and amending the CSRs (Zeitlin and Vanhercke 2018).



seems rather elusive at the time of writing,<sup>27</sup> however, and the figure itself has been contested, including on social media (interviews CSO2, CSO3). It could be perceived as a promising ‘score’, especially with a view to reassuring (and somehow rewarding) actors such as the European Parliament, which endeavoured to secure a stronger social dimension for the RRF.

The reality is, however, that not all RRFs have been approved. Furthermore, such ‘social’ tagging is extremely difficult, because the categorisation of projects varies a great deal from country to country, and covers thousands of investments, reforms, milestones and targets. Arguably the greatest challenge for elaborating a methodology for cross-country comparison is the definition of non-overlapping spending categories (Darvas *et al.* 2021). A specific reform or investment could indeed support various purposes (such as green, digital, skills). No single classification is ‘ideal’: the categories could be based on, for instance, the six pillars of the RRF (Art. 3), the seven flagship areas for investment and reforms defined by the European Commission (2020b:9-11) in the ASGS 2021, economic sectors and so on. Evaluations of the plans show that in some cases, there is no clear assessment or indicator of the impact of a proposed reform or investment (Corti *et al.* 2021; Pilati 2021). For instance, the Greek and Polish plans propose reforms and investments regarding vulnerable groups and regions, but impact assessment is lacking (Pilati 2021). In other national plans, the impact on vulnerable groups is not an objective per se, but a by-product of other measures.

In this context, some have called on the Commission to request that governments present ex ante social impact assessments of their measures (Pilati 2021). Clear indicators, criteria and areas should be chosen in any attempt to define the ‘social dimension’ of spending: one step towards such a clearer estimate is the recently adopted (September 2021) delegated regulation that defines a methodology for reporting social spending in the RRFs (European Commission, 2021c; see Section 2).

### **3.2 The agency of EU institutional social affairs players: getting a foot in the door**

The previous section demonstrated that, while the Member States’ RRFs include essential social investments and reforms that are, for some countries, linked to unprecedented EU funding,<sup>28</sup> social affairs players have so far obtained few *formal* entry-points to the RRF decision-making process, be it

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27. The figure of 30 per cent was expressed by Céline Gauer, director-general of the *Recovery and Resilience Task Force* (RECOVER) at a meeting of the European Parliament’s Committee on Employment and Social Affairs (EMPL) on 1 September 2021. To date, the authors of the present report have found no official document confirming this figure (Agence Europe 2021).

28. For some Member States, such as Bulgaria and Croatia, the financial contribution is estimated to be above 10 per cent of GDP, while for at least five other countries the additional resources will be equivalent to between 5 and 10 per cent of GDP (Vanhercke *et al.* 2021).

at the EU or national level. Some nuance is warranted, however: despite the apparent side-lining of social players in the summer and autumn of 2020, there are indications that the practices institutionalised during the past decade may, in the end, prove to be quite robust (see also Vesan *et al.* 2021). Some interview partners indeed indicated that, as of late 2020 and early 2021, there was an inclination to return to the more ‘normal’ Semester practices.<sup>29</sup> Most of our respondents in fact hope for a quick return to ‘business as usual’, even though they appreciate that there will still need to be key changes to the Semester (interviews COM4, COM5, COM11, NOF5, NOF7, EMCO2, ETU2 and SPC1). This view is also reflected in rather strong wording in the horizontal opinion from EMCO and the SPC (2021:4) on the 2021 cycle of the European Semester, which states that ‘there is overwhelming support amongst the Members of the two committees for a timely return to a comprehensive Semester process, reinstating all core Semester elements, already in the next cycle’.

Pushed by the German Minister for Labour and Social Affairs (Hubertus Heil) and ultimately supported by his Social Democratic Party (SPD) colleague and Minister of Finance (Olaf Scholz), the German Presidency of the Council of the EU (July-December 2020) played a pivotal role in efforts to involve the EPSCO Council in the RRF decisions. In its Council Conclusions of 23 November 2020, the Social Affairs Ministers indeed decided to take the unprecedented step of explicitly invoking Article 148 TFEU. The Council ‘tasks the Employment Committee to examine – pursuant to Art. 148(3) and 148(4) of the TFEU and in light of the employment guidelines – the implementation of the relevant policies of the Member States as set out in their National Reform Programmes, *including* their RRP, to cooperate with the Social Protection Committee where relevant, and to inform the Council of such an examination’ (Council of the EU 2020: para. 20). By underlining that the RRP is *part of* the National Reform Programmes – which both the EMCO and the SPC have reviewed in the past – the EPSCO Council clearly attempted to put its mark on these strategic documents. Consequently, the EMCO Secretariat – which is provided by the European Commission DG for Employment, Social Affairs & Inclusion (DG EMPL) – used the annual review and update of its multilateral surveillance activities to ensure a place for EMCO, in collaboration with the SPC, in the RRF process (for a detailed discussion, see Vanhercke and Verdun 2022).

Whether this means that these committees, and by extension the EPSCO Council formation, will be able to have a real impact on the new governance architecture remains to be seen. In a joint opinion (May 2021), both advisory committees made it clear that ‘the National Reform Programmes should remain the relevant reporting tool for structural reforms and progress towards CSR implementation, while the assessment tool of RRP implementation

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**29.** The EPSCO Council formation, in November 2020, called on the Commission ‘to propose appropriate arrangements for the return to a fully-fledged European Semester process as soon as possible, including its governance’ (Council of the EU 2020: §19).

should be fully integrated in the Semester process’ (EMCO and SPC 2021: 4–5). Arguably, the abovementioned new methodology for reporting social spending will provide these committees with further leverage to get a foot in the door of the RRF.

The role of the Commissioner for Jobs and Social Rights (Nicolas Schmit) and his administration – DG EMPL, previously a key player in the Semester’s ‘Core Group’ of four European Commission DGs (Zeitlin and Vanhercke 2018) – seems to have been significantly pruned, at least formally. Commissioner Schmit is not on the Steering Board of the European Recovery Plan, leaving his cabinet formally removed from access to the internal work of the Commission on this dossier.<sup>30</sup> Several of our interviewees refer to this relative side-lining of DG EMPL, especially in the initial months, to explain the considerable decline in social stakeholder consultations (see Section 4).

Key respondents across the Commission, however, confirm that, in practice, SECGEN and DG ECFIN are working in close cooperation with their counterparts in DG EMPL – for example, in the ‘RECOVER ECFIN Country Teams’ made up (despite their name) of Commission officials across different DGs. DG EMPL also participates in the ‘technical’ bilateral meetings with the Member States, even if these are chaired by counterparts from RECOVER or ECFIN. The reason is quite straightforward: DG EMPL’s country intelligence on social policy and labour market issues is needed to assess the significant ‘social’ parts of Member States’ RRFs. Whether this kind of cooperation will be effective, and whether DG EMPL can re-establish its voice in the process, will largely depend on the *ad hoc* monitoring and implementation of the RRF during 2021 and beyond. DG EMPL’s know-how in managing EU cohesion policy (through the European structural and investment funds, ESIF) should give the Social Affairs directorate additional leverage over the RRFs. Under Article 28 of the RRF Regulation these are indeed being negotiated (between the Commission and the Member States) in a coherent package (in terms of planning and execution) that includes, among other things, the European Regional Development Fund (ERDF), the European Social Fund (ESF) and Cohesion Fund Operational Programmes.

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**30.** The Steering Board is made up of the three Executive Vice-Presidents – Margrethe Vestager, Valdis Dombrovskis and Frans Timmermans – and the Commissioner for Economy, Paolo Gentiloni.

## 4. Stakeholder consultation under the RRF: the glass half-empty

The RRF is designed to be a ‘bottom-up Member State led instrument’ (interview COM5), different from past financial assistance programmes. As a result, the importance of the involvement of both EU and national social stakeholders is often emphasised, especially with regard to achieving ‘lasting solutions’ (interview COM5), which can be achieved only if real ownership is created. This squarely raises the question of the involvement of social partners (business and labour), as well as civil society stakeholders, in all stages of planning, implementation, and monitoring of RRF spending.

### 4.1 Formal consultation of stakeholders: the RRF Regulation as a landmark

The Commission’s ASGS 2021 stipulated, in rather general terms, that it ‘will be crucial that Member States engage as soon as possible in a broad policy dialogue including social partners and all other relevant stakeholders to prepare their recovery and resilience plans’ (European Commission 2020b: 13). Similarly, the European Commission’s initial RRP guidance (European Commission 2020c: 33) of the same date invites the Member States to ‘describe any consultation and contribution of social partners, civil society and other relevant stakeholders, in the drafting and implementation of the recovery and resilience plan’.

Under pressure from the European Parliament’s first reading of the Regulation, the final adopted RRF Regulation goes considerably further, requiring:

for the preparation and, where available, for the implementation of the recovery and resilience plan, *a summary of the consultation process*, conducted in accordance with the national legal framework, of local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders, and *how the input of the stakeholders is reflected* in the recovery and resilience plan (European Parliament and Council of the EU 2021: Article 18 (q) emphasis added).

These requirements contrast with the more general stipulations regarding stakeholder consultation applicable to the European Semester since 2011. Regulation (EU) No. 1175/2011 on the strengthening of the surveillance of

budgetary positions and the surveillance and coordination of economic policies (European Parliament and Council of the EU 2011) merely stipulated that ‘relevant stakeholders, in particular the social partners, shall be involved within the framework of the European Semester, on the main policy issues, where appropriate, in accordance with the provisions of the TFEU and national legal and political arrangements’ (Article 2-a, point 4).

The European Parliament, in its first reading, had proposed even more precise guidelines for the required RRP stakeholder consultation. A new paragraph 2 was proposed under Article 15 which specified that: ‘A Member State wishing to receive support under the Facility shall establish a multilevel dialogue, in which local and regional authorities, social partners, civil society organisations, in particular youth organisations, and other relevant stakeholders and the general public are able to actively engage and discuss the preparation and the implementation of the recovery and resilience plan’ (EP 2020). Furthermore, the European Parliament proposed that the draft plan be submitted to these instances ‘for consultation before the date of submission to the Commission and social partners shall have at least 30 days to react in writing, in accordance with the principle of partnership’ (European Parliament 2020, Article 15 paragraph 2). To ensure a certain quality of consultation with domestic stakeholders, the European Parliament had thus suggested a minimum period in which the consulted social partners would have the time to react in writing to the national RRP. The European Parliament also proposed, in terms of format, that at the request of the stakeholders, their opinions could be attached to the RRP, as well as the details, ‘including the relevant milestones and targets, of the consultations and dialogues planned in relation to the implementation of the recovery and resilience plan’ (European Parliament 2020, Article 15, paragraph 3, point (i)).

Although these ambitious proposals were considerably watered down in the subsequent stages of the negotiations with the Council of the EU, both the German Presidency of the Council of the EU, as well as the European Parliament, as a co-legislator of the RRF Regulation, played important roles in ensuring that – at least on paper – stakeholders would be heard in the RRP (interviews MEP1, NOF5). The requirements set out in the RRF Regulation (Article 18 (q)) go well beyond the abovementioned 2011 Semester Regulation in two important ways. First, Member States are not only asked to provide ‘a summary of the consultation process’, but also to report on ‘how the input of the stakeholders is reflected in the recovery and resilience plan’. Second, while the 2011 Regulation lists only the ‘social partners’, the RRF Regulation considers a much broader group of stakeholders, which now also includes local and regional authorities, civil society organisations, youth organisations and other relevant stakeholders (European Parliament and Council of the EU 2021). Our interviewees pointed out that, even if the practical effects of the consultation clause in the RRF Regulation so far seem strictly limited (also because it was not an assessment criterion of the RRP), it should be considered an important step forward. The clause may indeed provide legal grounds for social stakeholders to obtain involvement in the monitoring and implementation of the RRP (interviews BUSINESS, ETU1,

ETU2, ETU3, CSO1), even if others raise serious doubts in this respect (CSO2, CSO3).

These consultation requirements are indeed ‘more than has been achieved during the Semester’ (interview ETU2), although opposition from both Council and Commission prevented a stronger formulation of this requirement. Thus, the RRF Regulation (Article 18 (q)) refers to consultation ‘in accordance with the national legal framework’. In addition, the emphasis is on consultation during the *preparation* of the RRFs: when it comes to their *implementation*, a summary of the consultation process is required only ‘where available’. At the same time, the language is flexible (for example, the way in which the consultation should be organised is left open) and enables a mix of speed and tailoring to different national circumstances: not all Member States have equally institutionalised roles for social partners and other stakeholders (interviews BUSINESS, COM9, ETU1, ETU3). Whether this new clause in the RRF regulation will have practical effects will in part depend on the government structures, as well as the pre-existing channels available to social partners and other social stakeholders for influencing the different stages of the European Semester cycle (for a discussion of these Semester channels of influence, see Sabato 2020).

## 4.2 Stakeholder involvement in practice: far from satisfactory

Using this new opportunity, the ETUC began to inform its affiliates about the most appropriate ‘entry points’ in the RRF for national trade union organisations; it upgraded its ‘Semester Toolkit 2.0’ with a ‘Real Time Monitoring Tool (RTMT)’, which keeps track of trade union involvement in the drafting and implementation of RRFs<sup>31</sup> and ‘names and shames’ inadequate trade union involvement in the RRF drafting by national governments (e.g. Romania, Slovakia and Slovenia were flagged<sup>32</sup>). Several EU-level civil society organisations (for example, Civil Society Europe<sup>33</sup>, ERGO Network<sup>34</sup>, the European Social Network<sup>35</sup> (ESN) and

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31. ETUC Real Time Monitoring Tool (RTMT): <https://est.etuc.org/index.php>. The ETUC drew up an initial list of countries in which, based on experience in the Semester, there is a risk that trade unions will not be involved in the RRF. ETUC will actively support these countries.

32. ETUC Recovery & Investment website: [https://est.etuc.org/?page\\_id=42](https://est.etuc.org/?page_id=42)

33. Guidance notes for civil society organisations to engage with national authorities on the preparation of the EU National Recovery and Resilience Plans, December 2020. [https://civilsocietyeurope.eu/wp-content/uploads/2021/01/Guidance-Note-for-CSOs-to-engage-with-the-National-Recovery-and-Resilience-Plans\\_updated-1.pdf](https://civilsocietyeurope.eu/wp-content/uploads/2021/01/Guidance-Note-for-CSOs-to-engage-with-the-National-Recovery-and-Resilience-Plans_updated-1.pdf)

34. Available at: <https://ergonetwork.org/2021/02/support-note-on-engaging-with-the-national-recovery-and-resilience-plans-nrrps-2021/>

35. ESN replaced its Semester Reference Group by an EU Funding Working Group and organised meetings between its members and the European Commission: it was felt that this was the way the Commission would engage, in view of its interest to find out what was happening nationally.



Eurodiaconia<sup>36</sup>) followed a similar approach, producing guidance notes for their national members and partners, with a view to enhancing their understanding of the RRF and the procedures to follow, and encouraging their proactive participation. The involvement of these EU-level civil society organisations (CSOs) themselves in the RRF process seems to have been minimal: ‘our consultation has been non-existent, ad hoc in places, occasionally strong but mostly weak’ (interview CSO1). Another respondent confirms: ‘at the EU level, I don’t think that there was any engagement with civil society [...]. I don’t think there has even been an attempt to pretend as if we were involved’ (interview CSO2). This is confirmed by another respondent: ‘only when we knocked on the door to highlight the concerns of our members, the Commission attended meetings. It seemed that they wanted to gain information from our members as to whether [and how] they were being involved in the national RRF process’ (interview CSO3). Several factors can explain the lack of civil society organisation involvement in the RRF: the compressed timeframe, the relative side-lining of DG EMPL combined with the lack of well-established ties (especially compared with corporatist actors) with SECGEN and ECFIN, and the many procedural changes that occurred in the 2021 Semester cycle. Other explanatory factors are that social dialogue has stronger institutional foundations than civil dialogue, and the limited capacity (human resources) of civil society organisations to engage meaningfully in the process. Moreover, the process of planning the RPPs has taken place mainly at the domestic level, leaving less leverage to EU-level umbrella organisations to have their say (interviews CSO1, CSO2, CSO3).

It will be important to establish whether the timespan between the first formulation of RPPs and their official submission (as of April 2021) has effectively provided a window of opportunity for social and economic actors to engage with the content of the draft RPPs (thereby increasing the political price of *not* following such stakeholder involvement). The ETUC (2021) has already announced that, despite the formal progress made, it will continue to advocate a binding rule for more structured consultations, looking towards a long-awaited reform of the EU’s economic governance. As several of our interviewees highlight, the consultation process has been largely predetermined by the existing culture of consulting the social partners (at least in some Member States), and to a lesser extent civil society organisations (interviews NOF5, CSO1, CSO2, CSO3). This situation occurred in part because the consultations took place in a context of ‘crisis management’, where speedy action to tackle the consequences of the pandemic was of the utmost importance.

The involvement of national social stakeholders in the 2021 Semester cycle, and therefore their overall impact on the RRF, will most likely be strictly limited. Drawing on an EU-wide survey (January 2021), the European Economic and Social Committee concluded that *formal* RRP consultation

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36. Available at: <https://www.eurodiaconia.org/2021/05/national-recovery-and-resilience-plans-where-are-the-roma/>

processes with the social partners and civil society organisations *have indeed taken place*: while some mechanisms are new, ‘Member States have also used and built on mechanisms established for consultation within the ordinary European Semester procedure’ (4.1.2).<sup>37</sup> All in all, however, the EESC considers that, in most Member States, consultation processes with social stakeholders ‘*are far from satisfactory* in relation to the justified demands of civil society and even in relation to the terms set out in the RRF Regulation’ (EESC 2021 5.1, emphasis added), although it is ‘acknowledged that progress has been made compared to the usual European Semester procedures’ (ibid 1.8). Unsurprisingly the EESC report also found that ‘the social partners are included on a more structured, institutionalised and permanent basis whereas the remaining CSOs are instead consulted in an ad hoc and informal manner’ (ibid 4.2.1), even if some (mostly large) proactive national CSOs (for example, in Italy, Portugal and Spain, have been able to present themselves as spenders and thereby secured significant RRF funding (interview CSO2, CSO3). In a joint opinion, EMCO and SPC (2021:14) also acknowledge that ‘significant concerns remain as regards practical aspects of social partners’ consultation in terms of transparency, timeliness, and meaningfulness, as well as with regard to its real impact on policymaking’. Importantly, the disappointment with the lack of involvement is shared by representatives of business, labour and civil society organisations. Thus, a vast majority of BusinessEurope’s member federations in the Member States report that ‘their involvement in the design of their countries’ national recovery and resilience plans was somewhat insufficient to even extremely limited’ (interview BusinessEurope 2021). The EMCO organised a ‘social dialogue review’ (19 November 2021) with the involvement of national and European social partners which discussed, among other things, whether social partners were involved in a timely and meaningful way in the design and implementation of employment and social policies.

Several of our interviewees provide initial explanations for these disappointing results as regards national stakeholder consultation in the RRP. They point out that, at national level, prime ministers, finance ministers and ministers responsible for cohesion policy mainly steer RRP decision-making politically (while previous National Reform Programmes were largely bureaucracy-driven). This means that social stakeholders, including civil society representatives, needed to develop new national and EU networks – an undertaking that takes more time than was available given the tight deadlines of the newly created instrument (interviews BUSINESS, COM9, CSO1, CSO3, EESC, NOF 4, NOF5, TU2). The lack of detailed requirements for the consultation process, combined with the change of ‘driving seat’ for the RRF, have severely limited effective consultation, even in countries that had pre-established avenues for consultation under the European Semester.

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37. These mechanisms include submission of written proposals, high-level meetings with responsible ministers, evaluations of purposely designed and returned questionnaires, and round table discussions between government representatives and civil society organisations (EESC 2021: § 4.1.2).



### 4.3 The need for 'quality' involvement

Perhaps the most important issue with the RRF consultations so far is that, even when these took place (seemingly in most Member States, in one form or another), many doubts can be raised as regards their *quality* (interviews EUROFOUND, CSO1, CSO2, CSO3). Key quality concerns include the *limited time available* for meaningful consultation, which typically took place at an advanced stage of development of the draft RRFs. In several cases, social partners and civil society organisations report that they were included at some stage (including at the very beginning) of the elaboration of the RRF, but then they were sidelined during the rest of the drafting process. In other cases, (too many) meetings were organised with (draft) plans being shared in advance, but stakeholders usually received no feedback and did not see how their contributions were factored into the final plan. Several of our respondents flag the importance of including *both* representatives of social partners *and* civil society organisations in the RRF consultations. In the words of one interviewee: 'If the consultation is focused on social partners, it becomes employment-focused [...] and some groups are left underrepresented' (interview CSO1, confirmed by CSO3). More generally, the lack of transparent procedures for involving a variety of stakeholders in national consultations has become one of the key points for criticism expressed by different EU-level based organisations (CEE Bankwatch Network 2020). This lack of transparency, in turn, may have made it even more attractive for powerful industrial lobbyists to seek to influence the drafting of the RRF Regulation (interview MEP2), while the European Parliament has recently been scrutinising the role of the 'Big Four' consultancy firms in providing 'technical assistance' to Member States preparing structural reforms.

Based on the Commission assessments of RRFs, a recent 'in depth' analysis of the involvement of stakeholders<sup>38</sup> produced by the European Parliament (2021) confirms that all Member States undertook a public consultation, at least to some extent, during the preparation of their RRFs. The intensity and breadth of this consultation varied a great deal, however. The Commission Staff Working Documents (SWD) on the RRFs uncritically suggest that many Member States (such as Austria, Belgium, Czechia, Germany, France, Cyprus, Italy, Latvia, Lithuania, Malta, Portugal, Greece, Croatia and Slovakia) report quite an extensive *formal* consultation process. Fewer Member States, however, point to specific proposals from stakeholders that are reflected in the RRFs (however, see Austria, Czechia, Cyprus, Germany, Latvia, Portugal and Slovakia). Arguably, this is why the EMCO and SPC (2021:14) suggest that 'consulting social partners, governments could also systematically provide feedback as to how their proposals have been addressed'. Belgium, in addition to the extensive consultation with stakeholders at federal and regional level, is one of the few countries which reported consultation on its national RRF

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<sup>38</sup>. Defined as relevant EU level bodies, relevant national, regional and local authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders, as per the RRF Regulation.

with the national gender equality body, namely the *Institute for the Equality of Women and Men*.

Preliminary results of ongoing research by Eurofound (2022) about *effective* national social partner involvement in social dialogue suggest that there is no place for too much optimism: generally speaking, there has been weak involvement of social partners in the drafting of the RRP, even in countries with strong social structures. This is the situation, for instance, in Austria, where social partners have only been marginally involved (Templ 2021). Drawing on interviews (carried out by Eurofound's network of national experts) with no less than 143 national social partners and government representatives, the EU agency only suggests a relatively positive assessment of the quality<sup>39</sup> of the involvement in the Nordic countries, Belgium and Spain and (to a lesser extent) Bulgaria, Czechia, Cyprus and France. All other countries, notably, record only 'low' quality social partner involvement (ibid).

Some EU Member States reported in their RRP that they gave the general public the opportunity to engage in a publicly organised debate: this was the case in Czechia,<sup>40</sup> as well as in Greece, where 'a series of public events are being planned to increase the ownership of the Plan'.<sup>41</sup> Lithuania reported strong public interest in the plan: the '300 responses received were considered before submitting the final plan to the Commission'.<sup>42</sup> According to the Council Implementing Decision, in Slovakia, the RRP was also widely communicated to the general public (but there was no possibility to see how responses were taken on board, interview CSO3).<sup>43</sup> Two important caveats should, however, be made: (i) neither the fact that the 'wider public' has been consulted, nor the fact that many responses were recorded, reveals anything about the quality of the consultation: and (ii) it is unclear to what extent the results of these consultations were used to inform the RRP (interviews with Eurofound, CSO2, CSO3). Portugal, however, reported a two-stage consultation process: during the second stage, a broader group of civil society stakeholders was reached, in response to civil society's proactive appeal to the government to hold wider consultations on the RRP (interview NOF4). In

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39. Quality is measured against four main indicators based on social partners and national authorities' assessments: Time allotted for consultation; Degree of consultation, understood as social partners' opportunities to contribute to the development of the RRP and receive feedback from the government; Both social partners consulted on an equal footing; Transparency and visibility of the contributions made by social partners i.e. the extent to which RRP include a summary of the consultation process and their views.

40. Commission Staff Working Document, Analysis of the recovery and resilience plan of Czechia, 19.07.2021, SWD(2021) 211 final. Available at: [https://ec.europa.eu/info/sites/default/files/com-2021-431\\_swd\\_en.pdf](https://ec.europa.eu/info/sites/default/files/com-2021-431_swd_en.pdf)

41. Commission Staff Working Document, Analysis of the recovery and resilience plan of Greece, 17.6.2021, SWD(2021) 155 final. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021SC0155&qid=1625738811353&from=EN>

42. Commission Staff Working Document Analysis of the recovery and resilience plan of Lithuania, 2.7.2021, SWD(2021) 187 final. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52021SC0187&rid=10>

43. Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Slovakia, 6.7.2021 2021/0163 (NLE). Available at: <https://data.consilium.europa.eu/doc/document/ST-10156-2021-INIT/en/pdf>

this country, reportedly, changes were made to the RRP following the second public consultation.<sup>44</sup>

Nevertheless, several of the trade union representatives interviewed for this study indicated that they felt that EU-level officials (in the various DGs of the European Commission) were in fact more receptive to social issues, and the views of social actors than before. Such consultations were reported to take place at different levels of the European Commission – from the highest level (the Commissioners themselves) to the country desk officers (interview COM9). One trade union representative finds it ‘difficult to remember that level of involvement of senior Commission staff before, in any previous semester cycle or physical meeting’ (interview ETU3). Several of them point out that this change started under the Commission headed by Juncker (see also Sabato 2020). The online meeting culture of 2020–2021 further facilitated access and consultations – with a broader range of European Commission DGs and reaching more senior officials – which social partner representatives took advantage of (interviews BUSINESS, COM9, ETU1, ETU2, ETU3). It should be noted, however, that several of our interviewees suggested that these outreach efforts and meetings were often lacking in actual content and did *not* involve civil society organisations, which were not consulted at all (interviews CSO1, CSO2, CSO3).

In other words, more work is needed to ensure meaningful involvement of social partners in policymaking (EMCO and SPC 2021: 14). Stakeholder involvement in the RRF should be translated into operational practice and not constitute ‘a kind of ritual’ (interview ETU2; Moschella 2020: 20–21). Whether and how social stakeholders will become involved in the monitoring and implementation of the RRF remains to be seen. According to the European Parliament (2021: 3), some Member States (for example, Denmark, Ireland, Croatia, Luxembourg and Austria) did not provide any information on how stakeholders would be involved or consulted during the RRF implementation stage. Only a few Member States (for example, Belgium, Cyprus, Greece) made a general commitment to continue to reach out to social partners and civil society during the implementation phase of the plan. The European Parliament will have an important role to play in this regard, including in the context of the newly established ‘Recovery and Resilience Dialogue’ held every two months between the European Parliament and Commissioners Dombrovskis and Gentiloni: this will allow for a high frequency of European Parliament involvement in the process, although the dialogue does not foresee any binding power for the European Parliament (Crum 2021).

The importance of *quality involvement* of the social partners and civil society organisations in the RRF process is a crucial point, alongside the need for transparency (Open Procurement EU 2021). During the implementation and monitoring processes, the obvious shortcomings in that regard should be rectified. As one of the policymakers defines the expected impact of the

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44. Leading to two new components: Component 4 (Culture) and Component 10 (Sea).

RRF investment: 'here there is real money that will lead to real investment for many years, so we need to give this ownership' (interview COM5). High quality involvement of a wide range of stakeholders will 'ensure that the measures foreseen are both economically feasible and socially acceptable' (BusinessEurope 2021).

At the time of writing, autumn 2021, as the EU overall has reached a first-dose vaccination rate of close to 80 per cent (ECDC 2021), and the IMF (2021a; 2021b) is forecasting a strong recovery following a deep recession, there may be a return to Semester practices sooner than initially expected. Though this means that social actors will be back at the table, in the run-up the EU institutional social actors and European social partners have been more successful than EU civil society organisations and domestic social stakeholders, who remain largely sidelined in the new process. This result confirms that the governance processes of the Semester continue to offer variegated opportunities and resources for strategic agency for contending groups of actors, also with a view to reshaping pre-existing power balances (Zeitlin and Vanhercke 2018: 169).

## 5. Of carrots and sticks: hardening the Semester?

As a result of the linkage between the RRF and the Semester, the latter is likely to acquire new prominence. The Semester may well fundamentally change in character, from being a non-binding structure for policy coordination, to a vehicle for the allocation of major economic impetus (Crum 2020; van der Veer, 2022; D’Erman and Verdun 2022) with more teeth. As the RRF’s governance framework, the domestic ownership of the Semester could be reinforced. This hardening would be achieved by allowing Member States to identify the relevant targets, milestones and timetables against which implementation efforts will be assessed, and by providing financial incentives for structural reforms (i.e. reforms listed in the CSRs). These developments have the potential to increase CSR implementation, as the CSRs may be taken more seriously by Member States and stakeholders alike (interviews COM9, ETU2, NOF6, MEP1; see also Moschella 2020; Wieser 2020).

Given Rainone’s (2020) finding that the overall number of (implicit and explicit) 2020–2021 social CSRs is the highest ever registered (around 80 per cent higher than usual),<sup>45</sup> this link with the RRFs should, in principle, provide the Commission and national stakeholders with a powerful new opportunity to combine the ‘sticks’ of past CSRs with the ‘carrots’ of significant funding, including for social and labour market policies. The RRF thus ‘upgrades’ the Semester, in that it offers financial incentives in return for a coherent package of public investments and (potentially painful) reforms, thereby giving European governments additional means to overcome domestic institutional resistance against Semester tools and recommendations. The German trade union confederation DGB pointed out recently that it felt that, with the new rules, the principle of ‘money for reforms’ seems to apply, which may further exacerbate the perceived lack of legitimacy of the EU’s economic governance (DGB 2021).

As already mentioned, monitoring and implementation of the recovery plans are coordinated jointly by the Recovery and Resilience Task Force (RECOVER) within the Secretariat General and DG ECFIN. In addition, the newly created DG REFORM<sup>46</sup> provides detailed technical support – to those Member States who request it – in drafting, implementing and monitoring

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45. The proliferation of social CSRs is likely to be an effect of the EU Commission’s reaction to the socioeconomic crisis triggered by Covid-19 (Rainone 2020: 4).

46. In January 2020, DG REFORM took over the mandate previously held by the Structural Reform Support Service established in 2015 within SECGEN.

the RRP, including through the promotion of scaling up existing policies and exchange of best practices, both among and within Member States (interviews COM8, COM11). It could be asked whether these bodies have the technical capacity and human resources to organise monitoring and implementation, also in view of the risk of political pressure on the Commission; there may be significant pressure to record positive implementation (Wieser 2020: 8). Given that EMCO, the EPC and the SPC have become significant players in monitoring, reviewing and assessing national reforms within the Semester (Zeitlin and Vanhercke 2018), it would seem important to include them in the monitoring effort, alongside the EFC. The inclusion of these players may assist the Commission in its task of monitoring milestones and targets (including judging whether sufficient progress has been made to warrant payment) in the RRP. In a joint opinion, the EMCO and SPC (2021:6) leave no doubt about the role they envisage for themselves: ‘the role of EPSCO and its advisory bodies in the Semester process should be maintained in line with past Semester cycles and in full application of the Treaty (Article 148 TFEU) and the respective mandates of the two committees [...]’.<sup>47</sup>

Scholars have warned against rushing through the RRP needlessly, risking waste and misdirected long-term investment: good projects are hard to find quickly, and national governments have limited capacity to channel very large amounts of public investment (Alcidi *et al.* 2020; Alcidi and Corti 2021). As Van der Veer (2022) reminds us, scrutiny of spending and reform plans is far from apolitical and therefore cannot be done in a mechanical way: by funding certain investments and reforms, and not others, the EU will get, in the words of one of our interviewees, ‘under the skin’ of the Member States, which may be ‘extremely complicated’ to manage (interviews COM5, COM6). The risk, also in the absence of a clear negotiation mandate, is that the EU will become tangled up in national political discourse – especially when reform conditionality (i.e. reforms are demanded in order to obtain loans or grants) is being applied to sensitive policy domains – while it cannot account for the consequences of the reforms.

As the autumn of 2021 draws to a close, not all Member States have submitted their recovery and resilience plans, even though the target date was the end of April 2021. Early assessments of these plans (in terms of their contribution to ‘green’, ‘digital’ and ‘other’ spending) are not even very easy to make, as so many differences appear in the plans (for instance, Darvas *et al.* 2021). Furthermore, not all countries have taken advantage of the funding: the Netherlands held off submitting its plans due to ongoing government formation and, as we saw above, Bulgaria was also very late to submit. Nevertheless, the European Commission has indicated that it will be flexible

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47. EMCO and SPC (2021:6) also underline that the cooperation between EPSCO advisory committees and other Council preparatory bodies, notably the Economic Policy Committee (EPC), the Education Committee (EDUC) and the Council Working Party on Public Health at Senior Level (WPPHSL) should be further strengthened in the context of a comprehensive Semester process. They also recall the need to ensure continued involvement of Social Partners and Civil Society Organisations.

and that Member States are permitted to submit these plans till the middle of 2022. Furthermore, the EU needs to decide how the Semester will be used as a system of macroeconomic governance. This year the timing has been aligned. But, especially as the exceptional situation may be coming to an end (European Commission 2021b), and economic growth may be returning to normal in the near future, the EU institutions will need to decide how to reintroduce the usual deadlines and procedures, thereby marking the gradual end of the exceptional period – although the autumn IMF *World Economic Outlook* still mentions ‘the continued grip of the pandemic on global society’ (IMF 2021b: xiii). Indeed, assuming some normalisation, scholars have also started to wonder what role there might be for national parliaments going forward (Bekker 2021; Woźniakowski *et al.* 2021).



## Conclusion and next steps

This report aims to evaluate socio-economic governance in the EU in response to the Covid-19 crisis. Although the ECB was the first to react, heads of state or government took forceful, relatively speedy and certainly unprecedented decisions to tackle the economic and social consequences of the pandemic. Although new ways were used to attract large amounts of funds in the financial markets, some of the older institutional structures were also deployed. In particular, to manage the RRF the European Council opted to use some of the existing institutional structures, namely the EU budget, but also the Semester. We argue that the Semester was used as a foundation partly because of its ‘Goldilocks’ characteristics (that is, the rules and recommendations are *not too soft* and *not too hard*: they are ‘just right’). From our research we learned that the EU actors did not wish to reinvent the wheel, as the Semester was already doing what the Commission and the EU Member States wanted to keep doing in the future: to provide annual assessments and recommendations for reform. During the pandemic the choice fell on linking them back to previous CSRs (for now). In choosing to rely on this macroeconomic policy coordination instrument, it did not seem to matter that many assessments of the Semester suggest low compliance with its recommendations, in part because of the limited enforceability. Firmly embedding the RRF into the Semester framework and having more carrots and sticks may, down the road, increase Semester effectiveness, as it becomes a ‘harder mode of soft governance’ (see, among others, Knodt *et al.* 2020). Despite the increased potential of the Semester, and the possible empowerment of the Commission, however, Member States have also gained opportunities. Through the national reform programmes and stability or convergence programmes, they may seek support for specific domestic needs. Also, the role of the Council of the EU and the European Council regarding impact is not yet clear. Thus, in terms of the inter-institutional division of power, the study has found that the jury is still out as to who, in the end, will gain or lose most in terms of influence.

In this report we also sought to examine the extent to which the linkage of the RRF to the Semester might fundamentally change the latter – given the creation of a larger budget and the various requirements for using the funds. We examined the path that led to the RRF, including its link with the Semester. In terms of the actors involved in the process, our assessment is that initially there was a serious risk that institutional EU social actors were losing some of the prominence they had previously earned in the Semester. Their role was, again, not taken for granted when the RRF was launched: at



this early stage, much of the emphasis was on speed and reducing the number of actors involved. In the course of the process, from late 2020 until the summer of 2021, some of these actors were reclaiming their position in the evolving architecture, especially as the immediate urgency subsided. Notably EU institutional social actors have gradually moved back to adopting the former Semester practices: they stayed in position, ready to jump in at the first opportunity. EU civil servants were also willing to engage with social partners (both sides of industry), taking advantage of the online meeting opportunities provided by Covid-19. EU civil society organisations, by contrast, have been largely sidelined in the RRF process. Similarly, in most Member states, consultation with *domestic* stakeholders (both social partners and CSOs), has remained insufficient by any standards.

The European Parliament was reasonably successful in securing its substantive impact during the RRF negotiations. But it has since failed to insert itself in the approval and assessment procedures of the EU's recovery; the question is whether its clear wins will be enough to alter the place of the European Parliament in the EU's economic governance and the Semester, in which so far it has played only a marginal role (Verdun and Zeitlin 2018). The growing influence of the Semester, through its coupling to the RRF, thus brings to the fore some dormant democratic accountability issues. Given that the RRF is part of the EU's finances, and hence subject to the joint financial authority of the European Parliament and the Council (Crum 2020:14), several authors have proposed measures to increase accountability to the European Parliament. The latter might obtain a larger role in providing political guidance to the RRF, thereby installing proper parliamentary control and oversight of the EU's budgetary authority (Crum 2020; Moschella 2020; Wieser 2020). The deeper involvement of the European Parliament would increase the transparency and accountability of the process. Stronger democratic credentials would benefit not only national policy makers but also EU institutions (Commission and Council), which could improve project delivery and thus benefit the recovery (Wieser 2020).

The place of the social dimension in the RRFs and the influence of the EU are linked to a variety of factors and are essentially country-specific. In the absence of quantified social targets in the RRF regulation, the Commission will now start monitoring how money is tagged to reforms and investments linked to children, young people and gender, thus giving itself a certain role ensuring that money will be really and properly spent on reforms and investments targeting these groups. More research is needed into the details of the drafting of the RRFs and into potential EU influence on the place of the social dimension. But we should not forget that the process is highly dynamic and that implementation of the plans has only just begun. Ownership of the plans and identifying the directions for further development of the respective EU Member States has proven to be a key issue.

Time will tell whether the EU is ready to seize this opportunity to further democratise the EU polity in this way, and to enhance the inclusion of various societal actors in these important processes. Making soft modes of

governance harder, strengthening the role of the European Parliament in the oversight and guidance of the Semester and the RRF would enable a further reinforcement of democratic processes and increased legitimacy for the EU.

Such dynamic changes are even more important at a time when the European Commission has announced the relaunching of the European Semester with the 2022 cycle. This renewed use of the Semester will include the ‘standard’ autumn package, resumed publication of Country reports, Country-specific recommendations covering emerging challenges not dealt with by RRP, and new bi-annual National Reform Programmes integrating reporting on RRP and the EPSR (including the setting of national social targets,<sup>48</sup> following the Porto Social Summit) (SECGEN 2021). The 2022 Annual Sustainable Growth Strategy (ASGS) will outline the governance framework of the upcoming European Semester cycle. This new framework will likely entail a move away from the one-size-fits-all Semester of the past decade, in view of the fact that the RRF means very different things, in terms of budgets and timelines, for different countries. One can only hope that the ASGS 2022 contains the necessary guidance to Member States, allowing social stakeholders to seize their legitimate place in the RRF.

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**48.** At the time of writing (mid November 2021), 13 Member States had submitted initial proposals for national targets, while some have shared preliminary analysis.

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## Appendix 1

### Interview details

This report relies on extensive document analysis, as well as 32 semi-structured elite interviews with as many different respondents between October 2020 and November 2021 (most of them conducted jointly by Bart Vanhercke and Amy Verdun). We conducted five interviews with two respondents (rather than a single interviewee) and five follow-up interviews with the same respondents (conducted at the beginning and end of this one-year period). As can be seen in Table 1, most of them are in senior positions (such as director, secretary general, chair, confederal secretary, head of unit, principal advisor or rapporteur) in their organisations. Interviews lasted 45 minutes, on average, ranging between 35 and 80 minutes.

The respondents work in different Directorates General (DGs) of the European Commission (DG ECFIN, EMPL, REFORM and SECGEN) and the Cabinet of Commissioner Nicolas Schmit, as well as with European social partner organisations (BusinessEurope, the European Trade Union Confederation (ETUC) and the European Public Service Union (EPSU)) and European civil society organisations. Other interviewees have institutional roles in the European Parliament (as (co-)rapporteur), the European Economic and Social Committee, the Employment Committee (EMCO), the Social Protection Committee (SPC), the European Foundation for the Improvement of Living and Working Conditions (EUROFOUND), national (employment or social affairs) administrations or the permanent representation of their country to the EU.

All interviews took place through online video conference programmes (for example, Teams, Zoom). Many of them were recorded (with the consent of the interviewees) and transcribed. Each interview has been given a dedicated code, to which we refer in the body of the text, as appropriate. We used abbreviations to reflect the general institutional affiliation of the respondents, while guaranteeing anonymity. The abbreviations are as follows: BUSINESS (BusinessEurope), COM (European Commission), CSO (Civil Society Organisation), EESC (European Economic and Social Committee), EMCO (Employment Committee), ETU (European Trade Union), MEP (Member of the European Parliament), NOF (National Official) and SPC (Social Protection Committee).

Table 1 Interview details (in chronological order)

No.	Institutional affiliation	Position	Date	Code
1.	Employment Committee (EMCO)	Member	20/10/2020	EMCO1
2.	DG EMPL, European Commission	Head of Unit	21/10/2020	COM1
3.	European Trade Union Confederation	Head of Institutional Policy	23/10/2020	ETU1
4.	Federal Public Service Social Security, Belgium	Advisor	28/10/2020	NOF1 (National Official)
5.	DG EMPL, European Commission	Policy officer	17/11/2020	COM2
6.	DG ECFIN, European Commission	Advisor	18/11/2020	COM3
7.	Dutch national parliament	EU advisor	9/12/2020	NOF2
8.	Eurogroup	Former Chair	26/01/2021	NOF3
9.	Cabinet of European Commissioner Nicolas Schmit	Member	12/02/2021	COM4
10.	DG ECFIN, European Commission	Advisor	5/03/2021	COM5
11.	European Trade Union Confederation (ETUC)	Confederal Secretary Head of Institutional Policy	10/03/2021	ETU2
12.	DG ECFIN, European Commission	Director	17/03/2021	COM6
13.	Employment Committee (EMCO)	Member Secretary	18/03/2021	EMCO2
14.	Social Protection Committee (SPC)	Member	01/04/2021	SPC1
15.	European Public Service Union (EPSU)	Policy officer	11/05/2021	ETU3
16.	DG EMPL, European Commission	Head of Unit	17/05/2021	COM7
17.	BusinessEurope	Director	21/05/2021	BUSINESS
18.	European Parliament	Member	25/05/2021	MEP1
19.	DG REFORM, European Commission	Head of Unit	09/06/2021	COM8
20.	Recovery and Resilience Task Force (RECOVER), Secretariat General, European Commission	Director	23/06/2021	COM9
21.	Permanent Representation of Portugal to the EU	Counsellor Attaché	24/06/2021	NOF4
22.	European Parliament	Member	30/06/2021	MEP2
23.	Federal Ministry of Labour and Social Affairs, Germany	Director Advisor	05/07/2021	NOF5
24.	DG ECFIN, European Commission	Principal administrator	10/09/2021	COM10
25.	European Economic and Social Committee	Member Group II, Workers	14/09/2021	EESC
26.	DG ECFIN, European Commission	Director	20/09/2021	COM11
27.	Ministry of Social Affairs and Employment, the Netherlands	Policy advisor	27/09/2021	NOF6
28.	Permanent Representation of Portugal to the EU	Counsellor	30/09/2021	NOF7
29.	European Foundation for the Improvement of Living and Working Conditions	Research Manager	26/10/2021	EUROFOUND
30.	Platform of European Social NGOs	Secretary General Senior Policy and Advocacy Officer	26/10/2021	CSO1
31.	European Federation of National Organisations Working with the Homeless	Director	27/10/2021	CSO2
32.	European Social Network	Chief Executive Officer	18/11/2021	CSO3

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