DISCUSSION PAPER

SOCIAL EUROPE AND WELL-BEING PROGRAMME

20 DECEMBER 2022

The European Pillar of Social Rights: Five years on

Tommaso Grossi
Danielle Brady
Laura Rayner
Victoria Pedjasaar

Credit: EUROPEAN INVESTMENT BANK 2014-2019

Table of contents

ABOUT THE AUTHORS

Tommaso Grossi is a Policy Analyst in the Social Europe and Well-being Programme at the European Policy Centre.

Laura Rayner is a Policy Analyst in the Social Europe and Well-being Programme at the European Policy Centre.

Danielle Brady is a Policy Analyst in the Social Europe and Well-being Programme at the European Policy Centre.

Victoria Pedjasaar is a Programme Assistant in the Social Europe and Well-being Programme at the European Policy Centre.

DISCLAIMER

Executive summary

Five eventful years have passed since the European Pillar of Social Rights (henceforth, the Pillar) was announced by the Juncker Commission. In an era of permacrisis,[1] the EU and its member states have been confronted with several challenges that are severely testing the principles of the Pillar. For example, owing to the Russian invasion of Ukraine, more than 1.1 million children have arrived in Poland as refugees and hundreds of thousands in Romania, Moldova, Hungary, Slovakia, and the Czech Republic. This, combined with the impact of the pandemic, rising inflation and the cost-of-living crisis, has resulted in rising figures of child poverty in the EU. In addition, the COVID-19 crisis impacted employment rates across the Union and heightened inequalities such as gender disparities associated with the provision of care. Furthermore, digitalisation has notably introduced profound changes to the social structures and economic agreements that regulate European labour markets. Widespread precarity and insecurity are still posing a serious challenge to European citizens and societies.

In an era of permacrisis, the EU and its member states have been confronted with several challenges that are severely testing the principles of the Pillar.

In this context, where does the EU stand on implementing the Pillar and meeting the three Action Plan targets? To address this question, the European Policy Centre (EPC) organised a Conference on 9 November 2022 to mark the fifth anniversary of the Pillar and explore where we started from, where we are now, and what needs to happen to make its full implementation a reality. Experts and stakeholders involved in the Conference provided insightful analysis to take stock of the Pillar. Building on the reflections gathered during the event's workshops, this paper aims to examine the state of play within key aspects of the Pillar and its Action Plan.

A BRIEF HISTORY OF 'SOCIAL EUROPE'

For years, the harmonisation of social security and welfare systems has been the main objective of those involved in the design and implementation of Europe's social dimension. The 'harmonisation approach', the notion of creating common policy instruments, was intended to design communal policy objectives, with member states choosing the most appropriate instruments to achieve their goals. This was in light of the Union's enlargement and the political and economic challenges that Europe has been facing. Unfortunately, this approach failed to accomplish all of its goals, either as a result of the objectives being set at an excessively high level of abstraction, or as a result of the non-binding method of coordination between member states. The distance between desired outcomes such as 'poverty eradication' and the policy inputs available was too great.[2]

The onset of the eurozone crisis also caused upward convergence trends to stall and led to the sharp rise in the socioeconomic heterogeneity among member states. Rising income inequality and a lack of social investment soon encouraged voters to shift their support to populist parties, posing a serious threat to the European project.[3] Since then, commitment to a more Social Europe has become increasingly evident. In 2012, the Four Presidents' Report gave new life to the debate on convergence, stressing the imbalances within the Economic and Monetary Union (EMU) and the need to reconcile its function with broader EU economic and social objectives.[4]

Influential voices, such as Frank Vandenbroucke and Maurizio Ferrera's, have urged for a "European Social Union" (ESU) to reinstate social objectives in the new economic governance of the eurozone that emerged in the aftermath of the financial crisis. The goal was to breathe new life into social policy instruments and objectives that had long been subordinated to economic instruments, such as the European Semester, introduced in 2011.[5] The Semester, with its preventive and corrective mechanisms, has allowed EU institutions to monitor and steer national policies. This procedure has notably widened the gap between social policy objectives, EU institutions and regulations by promoting Country Specific Recommendations (CSRs), the monitoring of national budgets, and threatening financial penalties for non-compliance with fiscal guidelines. The subordination of social policy to the economic and fiscal sphere has in several cases led to a deterioration of social standards.

The subordination of social policy to the economic and fiscal sphere has in several cases led to a deterioration of social standards.

THE EUROPEAN PILLAR OF SOCIAL RIGHTS

In 2017, building from these debates and initiatives, and trying to prudently bridge the asymmetry between the economic and social dimension of the European Semester, the European Parliament, the Council of the European Union, and the Juncker Commission declared the European Pillar of Social Rights. The Pillar sets out 20 principles and rights essential for fair and well-functioning labour markets and social protection systems, structured around three chapters: i) Equal opportunities and access to the labour market, ii) Fair working conditions, and iii) Social protection and inclusion.[6]

The European Pillar of Social Rights marked an important paradigm shift in European social policymaking. The shift towards a principles and rights-based approach carries huge potential to tackle policy-divergence at national level and crystallize social policy targets. During his keynote speech at the EPC Conference on 9 November, Commissioner Nicolas Schmit noted that the Pillar has given "strong impetus to Social Europe" and should act as a political compass to steer the EU through its social and economic crises.

The shift towards a principles and rights-based approach carries huge potential to tackle policy-divergence at national level and crystallize social policy targets.

The Pillar's agenda is not unprecedented but echoes previous efforts of increasing the attention on social and employment rights. The EU2020 Strategy already aimed at transforming the EU into a sustainable and inclusive economy with high levels of employment and productivity,[7] and most importantly, the Pillar resonates with some key principles of the Treaty on the Functioning of the European Union (TFEU). Article 151 of TFEU clearly states that: "The Union and the Member States shall have as their objectives the promotion of employment, improved living and working conditions, so as to make possible their harmonisation while the improvement is being maintained […] the Union shall support and complement the activities of the Member States' in a range of social policy fields, including working conditions".[8]

According to the European Commission, the Pillar is the main mechanism for mainstreaming social priorities across all EU policies and a guide for the actual implementation of its 20 principles. In a way, the Pillar demonstrates the Commission's desire to achieve a stronger balance between economic objectives and social necessities, and to address social issues beyond macroeconomic stability.[9] In this respect, the Pillar can also be considered as a 'social policy framework' or, in the words of former Commissioner for Employment and Social Affairs László Andor, as a "live document", which requires constant updates and reviews depending on the challenges of the time. Not a static process, but an ecosystem of normative, political, and pragmatic arguments whose key function is to modernise and update the so-called EU social *acquis* and empower citizens by providing them with symbolic and policy-oriented resources.[10]

Reaching these goals called for the design of a new governance of the EU's social dimension, with new practices and instruments introduced for this aim. The main tool stemming from the Pillar was the Social Scoreboard, a set of indicators created to monitor the advancement of the Pillar's principles to be integrated and promoted within the European Semester.[11] The creation of the Social Scoreboard was in line with the strategy already adopted by the former Commissioner Andor[12] of 'socialising the Semester' by platforming social and labour rights.[13] Another novelty was the inclusion, for the first time, of social partners and civil society organisations in the consultation process, favouring transparency and multilevel participation on topics that were high on their agenda.

In the past two decades, tools of policy coordination and attempts to involve civil society and social partners have often been side-lined, if not overlooked, with social targets finding their way only if seen as compatible with broader economic regulations. European social policies are, in principle, no longer thought and planned within a silo-approach or confined to an insulated position but coupled with fiscal and macroeconomic rules and embedded with the existing *acquis*.

In March 2021, the Commission adopted an Action Plan to implement the Pillar, formulating clear targets to be attained, backed by the Portuguese Council Presidency under the motto: "It is time to deliver". The Action Plan, released in response to the COVID-19 pandemic, pragmatically set the scene for ambitious targets on employment, skills, and poverty reduction:

- At least 78% of the population aged 20 to 64 should be in employment by 2030, which implies at least halving the gender employment gap;
- At least 60% of adults should participate in training every year, and access to basic digital skills must be promoted for at least 80% of people aged 16-74;
- The number of people at risk of poverty or social exclusion should be reduced by at least 15 million by 2030, including 5 million children.

CURRENT DEBATES ON THE PILLAR

In his opening speech for the EPC Conference, Klaus Heeger, General Director of Confederation of Independent Trade Unions (CESI), noted that the relevance of the Pillar is even more evident in the context of a permacrisis, which started with the global financial crash of 2008, the subsequent crisis of the EMU, and the austerity management that stemmed from it. The EU did little to protect citizens from unemployment and precarity and eventually triggered new social risks. The COVID-19 pandemic exacerbated these risks and deepened inequalities. The Pillar thus represents a turning point for 'Social Europe', an attempt to revitalise the European project in the aftermath of the financial crisis, Brexit, and the pandemic that could no longer be procrastinated.

In this respect, argue Sebastiano Sabato and Francesco Corti, the Pillar is a "political instrument", unlike previous frameworks such as the European Employment Strategy and the Social Investment Package.[14]

The main tool to implement the Pillar is the European Social Fund Plus (ESF+), which integrates other structural funds such as the European Social Fund (ESF), the Fund for European Aid to the Most Deprived (FEAD), and the Recovery and Resilience Facility (RRF) for eligible measures. By integrating the Pillar into the EU's recovery strategy from the pandemic through the Action Plan, the EU marks a shift from "ex-post to ex-ante solidarity" and steps back from austerity's 'structural reforms' as its main crisis-management framework to respond to the sovereign debt crisis.[15]

Whether the Pillar will be able to fully soothe the scarring effects of old and new crises is yet to be seen. There are grounds for scepticism on its capacity to correct the looming inflation crisis and buffer the negative externalities of the dual transition. The Pillar's capacity to effectively deliver positive social change since its inception is only partially measurable and, despite the significant changes introduced so far, some questions about its effectiveness remain unanswered.

Whether the Pillar will be able to fully soothe the scarring effects of old and new crises is yet to be seen. There are grounds for scepticism on its capacity to correct the looming inflation crisis and buffer the negative externalities of the dual transition.

Although only few comprehensive studies have analysed the implementation of the Pillar at a more granular level, and the potential of the Social Scoreboard remains untapped, some of the ambiguities of the Pillar are self-evident. Most experts have focused on its legal underpinning (or lack thereof), its social shortcomings, and frictions with member states that still tend to prioritise fiscal and budget objectives over social ones or relegate social necessities to a secondary position in their agendas. As such, the Conference organised by the European Policy Centre sought to contribute to the overall assessment of the Pillar.

1. Halving the gender employment gap by 2030

PROGRESS IN RECENT YEARS: "LITTLE BUT NOT NEGLIGIBLE"

"Little but not negligible" were the words used by Eurofound's Maria Jepsen to describe the recent progress in relation to the EU gender employment gap. An adequate description considering the modest decrease in the gender gap in labour market participation since the Pillar was enshrined in 2017. At that point in time, the employment rate of women in the EU27 was 11.3 percentage points lower than that of men. Today, that gap sits at 10.8%.[16] Therefore, since the declaration of the Pillar, the gender employment gap in the EU has decreased by a mere 0.5 percentage points.

"Little but not negligible" were the words used to describe the recent progress in relation to the EU gender employment gap.

The Pillar Action Plan sets out the target of at least halving the gender employment gap compared to 2019. This means reducing the gender employment gap by 5.6%, which translates to 0.6 percentage points per year. Given the lack of progress in recent years, this will be a significant challenge, whose extent varies between EU member states. For example, in some countries such as Italy (19.2%), Greece (19.8%) and Romania (20.1%), the gender employment gap is close to 20% whereas in Finland the gap is 2% and in Lithuania 1.4%.[17] This highlights the different points of departure within the EU and the need for convergence towards the better-performing member states.

It is perhaps not surprising that labour market participation has, under the Social Scoreboard, been deemed a 'critical situation' meaning a relatively large number of member states face significant challenges in relation to the labour market situation of women. Several member states also face significant challenges in the participation of children in formal childcare for which there is a correlation to participation of women in the labour market. Additionally, the design of tax systems remains a discouraging factor for the labour market participation of the second earners (most often women) in several member states.[18] It is also important to note the underrepresentation of certain groups of women in the labour market, owing to the intersection of gender and further conditions of vulnerability such as living with a disability, belonging to an ethnic minority or having a migrant background.

COVID-19: A HALT IN PROGRESS?

Despite the existence of gender employment gaps in all of the EU member states (albeit to a varying degree), women have taken up two out of three new jobs in the EU over the last twenty years. However, at the onset of the pandemic, sectors dominated by women suffered high rates of job losses. 1.5 million women across the EU lost jobs in female-dominated and crisis-hit sectors such as retail trade, hospitality, residential care, domestic work, and clothing manufacturing. The initial period after the first lockdown indicated that recovery in employment would be greater for men than women.[19] However, in aggregate terms, the recovery of female employment has been positive with 600,000 more women employed now than at the start of the pandemic. With that said, to get a full picture of the impact of the pandemic, a much more nuanced approach is required. Women's job losses occurred most frequently in the lowest-paid sectors while the unemployment of men was more evenly distributed. Further disparities were reported in relation to hours worked (paid and unpaid) where women took on more domestic and caring responsibilities.

7.7 million women across the EU remain outside the labour market due to care responsibilities, compared to just 450,000 men.

PERSISTING BARRIERS TO LABOUR MARKET PARTICIPATION

Care responsibilities often act as a barrier to women's participation in the labour market. 7.7 million women across the EU remain outside the labour market due to care responsibilities, compared to just 450,000 men. This also impacts women's ability to undertake full-time employment, with many working part-time or reducing their working hours to perform care duties. Drawing on the example of the Netherlands, Fredrich Ebert Stiftung's Agnes Mach highlighted the important role of public provisions. 56% of women in the Netherlands work part-time and it was suggested that this can be attributed to the fact that childcare coverage is only available for a limited number of hours. Such provisions accompanied by the gender norms surrounding care responsibilities prevent women from being able to conduct full-time employment. This has further implications for the gap in earnings between men and women and long-term impacts on women's social protection coverage and pension payments. Addressing the imbalance in care responsibilities will be essential to achieve the Pillar target on gender employment and tackle further gender gaps, such as those in pay and pensions.[20] As such, member states must invest in care to ensure the affordability and availability of quality care services for children and other dependents.

Member states must invest in care to ensure the affordability and availability of quality care services for children and other dependents.

Efforts have been made at the European level to support a work-life balance for parents and carers. The work-life balance directive, formally adopted in 2019, seeks to improve families' access to parental leave and flexible work arrangements. However, based on findings from the COFACE Families Europe report, the directive has not been fully transposed in many member states. Although the deadline for transposition was 2 August 2022, 19 member states have failed to notify national measures to fully transpose the Work-life Balance Directive. The European Commission has sent letters of formal notice to the member states in question. Member states must ensure that they fully transpose the directive into national law.[21] Formal repercussions aside, failure to transpose the directive across the EU will prevent progress in relation to work-life balance for parents and carers, impacting the likelihood of halving the gender employment gap by 2030.

REACHING THE TARGET: EU EFFORTS TO DATE

In addition to the directive on work-life balance, the EU promotes gender equality in the labour market through a mix of further legislations, policy guidance and financial support. To this end, the Social Scoreboard includes indicators to track the evolution of the gender employment gap, the gender gap in part-time employment, the gender pay gap and the Barcelona targets on childcare. The proposed revision of the latter along with the recommendation on long-term care and the overarching care strategy aim to tackle gender inequalities and promote labour market participation.

Going beyond the gender employment gap, the directive on adequate minimum wage aims to reduce wage inequality while the Pay Transparency Directive aims to tackle the gender pay gap. In terms of funding, both the RRF and the ESF+ play a role in addressing the challenges, particularly in relation to care. For example, the RRF has been used by many member states to improve care services, infrastructures and the skills of care workers. The RRF should be further utilised for investment in care. Care should become central to the facility in a similar manner to investments in digital and green transitions. As previously mentioned, the Commission's proposed care strategy promotes access to quality, affordable care. Public investment is essential to achieve this goal, however the strategy offers few new initiatives to promote member state investment in care. Further investment is needed at a member state level, particularly in the context of the cost-of-living crisis, which threatens to increase costs associated with care and have negative implications in female labour market participation.[22] Together, these initiatives have the potential to reduce inequalities and promote increased proportions of women in the labour market.

However, most of these proposals have not yet been adopted by the European Council and Parliament which raises the question of when their impact will be felt and what this means in terms of halving the gender employment gap by 2030. When asked whether achieving the ambition of the Pillar was feasible, Katarina Ivankovic-Knezevic of the European Commission stated that "because it is hard, it does not mean that it is not doable". Member states have at their disposal not just directives or recommendations but an array of initiatives which will work together. The necessity of public services and the need for a skills strategy is evident along with the importance of dialogue with social partners and civil society. The Commission is committed to meeting the targets and fulfilling the ambitions of the Pillar's Action Plan. However, this commitment alone will not be sufficient as the success of the Pillar and the reduction of the gender employment gap also relies on the European Parliament and the Council, and most crucially, on the will of member states.

2. At least 78% of the population aged 20 to 64 should be in employment by 2030

REVITALISING THE SOCIAL DIMENSION

One visible impact of the Pillar is to give momentum to employment rights, revamping a long-awaited debate between social partners and institutions at the EU level. However, the Pillar and its Action Plan did more than just revitalise debates and empower players; they relaunched a new EU policy agenda, reinforcing the commitment to deliver on key issues that were unthinkable a decade ago.

Social partners seem overall convinced that the implementation of the Pillar can improve the employment prospects of EU workers as well as ensuring good living standards. However, while the adoption of the Pillar has marked a step forward towards social convergence of member states' employment policies, scepticism persists over the capacity of the Pillar to fully achieve this target and the measures adopted for this aim. Against this background, the main questions arising from this workshop revolved around three labour market challenges: i) what role the EU should play in the realm of working conditions; ii) whether the Pillar priorities access to labour markets over social protection and working conditions; and iii) on the legislative power of the EU to fully implement the Pillar.

While the adoption of the Pillar has marked a step forward towards social convergence of member states' employment policies, scepticism persists over the capacity of the Pillar to fully achieve this target and the measures adopted for this aim.

Although social and employment rights were already substantially protected by the existing *acquis* providing citizens with normative and policy instruments, the launch of the Pillar was meant to be a declaration of principles. Ana-Carla Pereira, Cabinet Expert of Commissioner Schmit, stressed the importance of the Pillar's pledge, designed a few years after the eurozone crisis and Brexit to revamp Europe's social dimension. With persisting divergence on the economic and social performance of member states, the overarching aim of the Pillar serves as compass for a renewed process of upward convergence, both economically and socially, and as a clear political message. To deliver on this framework, the European Commission has presented ambitious and far-reaching directives, comprehensive of both policy and legislative instruments, on transparent and predictable working conditions in the EU; adequate minimum wages, work-life balance for parents and carers and improvement of working conditions in platform work.

THE LEGAL SHORTCOMINGS OF THE PILLAR

Improvement of working conditions, however, cannot be created solely from norms or values but requires tangible investment and timely enforcement. Since its inception, the implementation of the Pillar has notoriously been bound to member states' agendas and their political will, as the Pillar booklet itself states: "For them to be legally enforceable, the principles and rights first require dedicated measures or legislation to be adopted at the appropriate level".[23] The Pillar's principles can thus only be preserved by virtue of other measures.[24]

Then, it does not come as a surprise that most of existing analyses of the Pillar look mainly at its legal underpinning. National governments remain primarily responsible for the update of their individual social security systems, laudable initiatives, such as the abovementioned directives may be slowed by legislators' and policymakers' own agenda. While several principles of the Pillar, such as those on pay transparency and minimum wages, require further legislative initiatives to become fully effective. To reach its full potential, it is argued, the Pillar should be put on the same legal footing as the TFEU.[25] Despite the political salience of the Pillar, it remains a 'soft governance' instrument of 'indirect action' and with limited legislative power; an exercise of consolidation for policymakers providing an indication on what principles the institutions should embrace.

Despite the political salience of the Pillar, it remains a 'soft governance' instrument of 'indirect action' and with limited legislative power; an exercise of consolidation for policymakers providing an indication on what principles the institutions should embrace.

While directives work as a good starting point for the implementation of employment rights, trade unions have stressed the need to engage more in the parliamentary process to guarantee the ordinary their legislative procedure. An example of how legislative shortcomings may affect the pathway of the Pillar is the case of the directive for the improvement of platform workers. The current cumulative and narrow definitions of digital labour platform proposed by the European Commission leave room for many platforms to bypass the directive unless member states enforce stricter controls to fill these loopholes.[26] Moreover, although the European Parliament addressed the Commission's directive,[27] calling for substantial changes on its scope on the employment status of platform workers, questions remain on the platforms' employment practices. Increasing the presumption-of-employment criteria (from 5 to 11) would still not guarantee full protection for platform workers unless regulators intervene and stronger social dialogue takes off.

TOWARDS FAIRER WORKING CONDITIONS

The focus of Chapter II of the Pillar is dedicated to fairer working conditions and employment rights, including type and duration of the employment relationship, wages, collective representation, and work-life balance. According to ETUC Confederal Secretary Liina Carr, despite the reaffirmation of such rights, and despite the overall positive assessment of social partners, the Action Plan presents other shortcomings. Although most of the 20 principles of the pillar belong to Chapter III, which envisages 'social protection and inclusion', the Action Plan's main effort revolves around the empowerment of workers and the distribution of resources to tackle labour markets contractions. The Pact for Skills is one of the flagship actions under the European Skills Agenda, adopted by the Commission in 2020, which aims to mobilise public and private stakeholders to act for the upskilling and reskilling of the workforce.

The economic recovery in 2021 was accompanied by a strong rise in labour market participation, following the sharp drop in the early months of the COVID-19 crisis in 2020. In 2021, the number of people employed increased in almost all member states and was, in most cases, higher than in 2019. In 2021, the employment rate for people aged 20-64 rose by 1.4 percentage points in the EU (73.1%) and by 1.3 percentage points in the eurozone (72.5%).[28] According to the European Commission 2022 forecast, this positive momentum of labour markets should push the employment rate up further in 2023.[29] However, the proportion of people employed on temporary or unstable contracts remains high, particularly for workers aged 15-24. Young people were noticeably hit harder than other groups by the pandemic, and a decline in the number of hours worked was visible well before the outbreak of COVID-19.

While focusing on skills reinforcement is crucial and necessary to reach the target of 60% of all adults participating in learning every year, more attention should be paid to the quality of jobs and contextual elements that may deteriorate working conditions or increase precariousness. An overemphasis on skills mismatch overlooks the points raised by trade unions contending that low wage standards, contract precariousness and a lack of adequate social floors are frequently the main reason for mismatch between demand and offer.

MINIMUM WAGES

As a matter of fact, increasing employment rates is not sufficient to reduce poverty. There are several reasons why increased employment does not necessarily translate into lower poverty rates. Amongst these, Bea Cantillon highlights the increase of in-work poverty,[30] when wages are low, and argues that in-work benefits are inadequate to lift people out of poverty. In-work poverty rates in the EU have not decreased over the last decade and stood at 8.9% in 2021.[31]

Many influential voices, ranging from trade unions to academia, EU institutions and social partners, have called for more coordinated EU action on minimum wages, raising both normative and political arguments.[32] Normative arguments for an EU level initiative build on the principles heralded in Article 2 of the TFEU, in which the EU commits to an upward harmonisation of living and working conditions. In the current environment of rising prices, minimum wages are falling fast.[33] Because of this, trade unions and social partners have asked member state governments for faster implementation of the Directive on minimum income.

The primary goal of the directive on minimum wages is to establish a framework for enhancing the sufficiency of statutory minimum salaries and boost access of workers to minimum wage protection. To do so, the directive encourages collective bargaining, stressing the crucial role of trade unions in ensuring adequate minimum wage protection. The directive requires member states to increase collective bargaining coverage if it falls below 80%, as it is in most member states, and thus strengthening trade unions. Unsurprisingly, wages are lowest where collective bargaining is weakest and most decentralised.[34]

The Pillar has surely breathed new life into wage coordination and collective bargaining, as well as the extension of collective agreements and regulation of platform workers and the solo self-employed, who often face an imbalance of bargaining power, bogus contractual agreements and inadequate social protection. Albeit there seems to be considerable momentum for improving collective bargaining structures and addressing income inequality across the EU. Many of these initiatives are still under negotiation or in the planning phase and outcomes remain uncertain.

THE ACTION PLAN IN PRACTICE: WHAT PRIORITIES?

When it comes to assessing the potential impact of the Pillar and its Action Plan at the EU and national level, their promising foundations must be carefully put under scrutiny. From the assessment of the Action Plan's impact, and comparing the Pillar to previous efforts at EU level such as Jacques Delors' 1989 'Social Charter', over the course of twenty-five years, the emphasis of the EU on employment rights has shifted from freedom of movement towards the right to equal access to the labour market and training.[35]

A similar assessment is made by Silvia Rainone and Antonio Aloisi, who observe an imbalance in the principles of the Pillar concerning more flexibility and access to labour markets in contrast to other principles dedicated to the improvement of working and living conditions: "The focus of the Action Plan is mainly on empowering the workforce with the adequate resources to weather the labour market adjustments (or even displacements) that the digital and green transitions will inevitably produce".[36] In her presentation, ETUI Researcher Silvia Rainone further stressed that while a revitalisation of the employment dimension and the EU economic governance is welcome, the reforms that EU member states have introduced to comply with milestones and targets of the national recovery and resilience plans (NRRPs) are designed to prioritise activation and (self-)employment of inactive, long-term unemployed and young people not in employment, education, or training. Greater emphasis is thus given by most member states to active labour market policies, whereas only a few countries have strengthened their employment protection systems, and even less have extended social protection for atypical workers. Only a few member states have taken action to counteract the decreasing trend in the number of workers covered by collective bargaining agreements. So far, we have witnessed a revitalisation of the 'social' aspect of employment issues, but the risk is that aspects such as labour market inclusivity and flexibility (Chapter I) are valued more than fair working conditions and social protection.

Greater emphasis is thus given by most member states to active labour market policies, whereas only a few countries have strengthened their employment protection systems, and even less have extended social protection for atypical workers.

THE ECONOMIC GOVERNANCE OF THE PILLAR

In addition to the legislative initiatives, the monitoring of the societal progress on the Pillar is integrated in the European Semester. The European Semester provides member states with CSRs to introduce or improve principles and rights enshrined in the Pillar. The CSRs are not legally binding but foresee financial sanctions for non-compliance with recommendations from Macro-Economic Imbalance or Excessive Deficit procedures. In her analysis of CSRs, Rainone observes the limited impact that the Pillar had in redirecting the Annual Growth Survey towards more social perspective, noticing a shift only in response to COVID-19.[37] Overall, the principles enshrined in Chapter II have long been absent from the CSRs, with more emphasis given to education, skills, and training.

Moreover, ESF and FEAD distributions – the main instruments to implement the Pillar – depend highly on national preferences (including budget continuity) and Gross Domestic Product (GDP) per capita (for the ESF). GDP, however, is often considered inadequate to reflect living standards – a concern also shared on several occasions by the European Commission.[38]

The RRF regulation states that national reforms and investments should relate to the CSRs of the Semester and the implementation of the European Pillar of Social Rights. The recovery plan is expected to "effectively contribute to strengthening the growth potential, job creation, and economic, social and institutional resilience of the Member State, contributing to the implementation of the European Pillar of Social Rights".[39] While the RRF refers to the Pillar as a compass, it does not guarantee that all the investments of national recovery and resilience plans are in line with the principles of the Pillar. Moreover, the RRF is a temporary instrument, and it is not bound to the pillar by social conditionality clauses, nor by the establishment of minimum investment in social objectives.[40] This is in contrast with the Commission's approach towards the RRF, where member states are required to devote 37% and 20% of their expenditure in the climate and digital transitions respectively.

3. Lifting 5 million children out of poverty by 2030

TACKLING CHILD POVERTY IN EUROPE

Ties exist between the Pillar's Article 3 on 'equality of opportunity' and Article 11 on 'protection against child poverty'. The latter explicitly reflects that the fight against child poverty is a priority of today's 'Social Europe', and, some argue, also a step towards a 'Child's Union', namely, the response to overcome inequalities among children and throughout generations as an essential element of a New European Deal.[41]

However, despite the political willingness to tackle the problem of child poverty in Europe, the evidence of the value of investment in early childhood education and care (ECEC) and the ambition of the Pillar's Action Plan target to reduce child poverty by 5 million by 2030, the EU is at risk of seeing increased levels of child poverty by the end of the decade. Several factors can be attributed to the rising numbers including the effect of the COVID-19 pandemic, the cost-of-living crisis, inflation, and the influx of refugees (mainly mothers and children) fleeing the war in Ukraine.[42] Nevertheless, the EU's child poverty problem is not a result of these crises. Even before COVID-19, Russia's war of aggression in Ukraine and the subsequent economic crisis, one quarter of children in the EU were growing up at risk of poverty or social exclusion. As argued by Senior Policy and Advocacy Officer Peter Verhaeghe, "child poverty is a structural problem which requires structural solutions".

The European Commission Recommendation on Investing in Children (2013) and the European Child Guarantee (2021) are to be commended for their ambition and focus on structural solutions to tackle child poverty. In June 2021, the Commission adopted, and the Council endorsed, a recommendation on the European Child Guarantee. It demanded to tackle social exclusion guaranteeing that children in need have access to a set of key services, such as early childhood and care, nutrition, housing, and leisure activities. It states that 'inclusive and truly universal access [to these services] is vital for ensuring equal opportunities for all children, and in particular those who experience social exclusion due to poverty and other forms of disadvantage'.[43] As it focuses specifically on early education and care, it tackles the risk of poverty from an early stage by enabling parents to fully enter the labour market and preventing growing up in disadvantaged households.

The Child Guarantee's potential to break the intergenerational cycle of poverty can only be realised if ambition is met with political action. Thus far, 12 member states have still not published their National Action Plans to implement the Child Guarantee. Only 19 member states have set their target to meet the ambition of the Pillar's Action Plan on reducing child poverty by 5 million by 2030. The Europe 2020 strategy aimed to lift 20 million people out of poverty by 2020 but the efforts of the member states only amounted to 8 million.[44] Similarly, as pointed out by Stefan Iszkowski, Policy Officer at the European Commission, the numbers covered by the 19 member states targets for the Pillar's Action Plan do not reach the total of 5 million children. The level of ambition varies significantly from one member state to another. Countries like Bulgaria and Portugal aim to almost halve child poverty by 2030 while others have not set target plans at all. There is still work to be done in some member states to define the pathways to tackle child poverty before the implementation of these pathways begins.

The Child Guarantee's potential to break the intergenerational cycle of poverty can only be realised if ambition is met with political action.

INVESTMENT IN CHILDCARE

Considering the vital role that ECEC can play in tackling poverty, Senior Expert Christian Morabito (FEPS and Forum Diseguaglianze e Diversità) argues that many member states are still significantly underinvested in these services. In some areas of the EU, there is almost no availability of ECEC services or it remains unaffordable for those families who would benefit the most from it. Only half of EU members states reach the objective of 33% ECEC coverage and, in seven countries, participation in childcare is 20% or less. All EU member states have lower enrolment rates for children from ethnic minorities, children with disabilities, refugee children and children from lower socio-economic backgrounds. Morabito notes that inequality of access remains a challenge, due to lack of public provision or due to the tendency to favour higher household incomes in allocating places. Private providers are often unwilling to invest in rural or suburban areas where services are most needed and even public providers can find themselves obliged to prioritise the provision of services in more affluent areas where they receive more revenue through higher enrolment fees. Public investment in ECEC remains lower than other stages of education, resulting in early childhood workforce being undervalued and underpaid.

The ESF+ provides funding opportunities to fight against child poverty and address children's social inclusion for the 2021-2027 programming period, integrating the former FEAD. Member states with higher levels of children at risk of poverty (above EU average of 23.4% between 2017-2019) are required to allocate 5% of ESF+ resources to tackling child poverty.[45]

Moreover, member states can also make use of the Invest-EU and React-EU programmes or the RRF to fund measures combatting child poverty and social exclusion. The RRF supports member states to invest in expanding the offer of early childhood education and care services, at present lacking in most European countries. Reforms and investment in the next generation, including children, figure prominently in the RRF, which explicitly indicates the Child Guarantee as the normative framework to be used as a reference to design national policies. While the RRF has provided a pot which can assist those member states with limited fiscal space to invest in ECEC, this money is limited to construction of new facilities or renovation of old ones. It does not cover running costs or maintenance costs resulting in reticence among some member states to build or renovate facilities which they would then need to find the finance to run and maintain.

WHAT IS THE WAY FORWARD?

To eradicate child poverty, the European Child Guarantee should stay high on the EU's recovery agenda. It needs to be ensured that the Council Recommendation on the Child Guarantee follows the Investing in Children section and reinforces member states to develop strategies to tackle child poverty and promote welfare policies directed at children. It is therefore necessary that all member states publish their National Actions Plans to implement the Child Guarantee. They must set a reduction target and appoint Child Guarantee Coordinators to identify those in need and the barriers they face in accessing essential services.

As underlined in the Child Guarantee, early childhood education and care is crucial since it has a positive impact on a child's development and prevents poverty and social exclusion in the long term. To break the cycle of disadvantage, the European Semester processes should push member states to directly invest into the ECEC. The access of disadvantaged children to the ECEC should be guaranteed through the expansion of public services, prevention of the commodification of ECEC and flexibility in the organisation of services to facilitate children from disadvantaged backgrounds. Cohesion funding should also be used to direct investment into providing services in poorer areas to break the cycle of disadvantage.

Data on children and child-poverty is often scattered and limited both at the national and EU level. Even when data is available, it is often based on estimates or rely on non-harmonised data, raising concerns about the capacity of stakeholders to assess the child poverty condition from a Union perspective.[46] Likewise, with respect to FEAD fundings, access to quality data on children condition may be particularly problematic as economic assistance is granted to the targets that are more at risk of falling outside the scope of statistical surveys or because of legal restrictions for the use of minors' data.[47] The Commission does not currently have appropriate indicators and data to monitor progress in the member states. The European Care Strategy and Action Plans should support improved data collection on formal and informal care. The data should consider the gender, age, disability of the children, availability and affordability of the service, and the experiences of carers. As data is necessary to monitor progress and understand economic and social phenomena, it is essential that member states and the EU reinforce improved data collection on ECEC as well as formal and informal care. The data should consider the socioeconomic status of parents, gender, migrant status, and potential disability to assess the distributional effect of policies to tackle inequalities.

COVID-19 adversely impacted the delivery of care for people in all age groups, exposing weaknesses that have been there for decades. Long working hours, inadequate pay, and lack of professional development in the care sector are crucial factors in inducing poverty. Furthermore, healthcare systems are dependent on the unpaid and informal work of usually female carers, which pushes families, especially single mothers with children, into poverty. Indeed, child poverty, gender imbalance in the workforce and inadequate care services are all inextricably linked problems that require clear targets to be set for the provision of quality, affordable and accessible care across the EU. Member states need to re-organise the delivery of care in a way that supports the early development of children, protects families from falling into poverty and reinforces gender equality in the labour market.

Member states need to re-organise the delivery of care in a way that supports the early development of children, protects families from falling into poverty and reinforces gender equality in the labour market.

The ECS is an opportunity to address the impacts of COVID-19 on children and families and re-envision the state of care in the EU. The European Care Strategy aims to achieve 'high-quality, affordable and accessible care services with better working conditions and work-life balance for carers'.[49] The strategy should ensure more public investment into early childhood education and care, which includes strengthening the working conditions, renumeration and the professional development of carers. Well-organised and robust ECEC services in member states will encourage female labour participation, provide equal opportunities to children, and prevent the consequences of growing up in disadvantaged households. Therefore, a 'Social Europe' envisioned by the Pillar can only be realised with consistent and substantial investment into the care economy.

More needs to be done to ensure fair working conditions and a decent living wage, and more significant action than a Council recommendation on minimum income is needed. In 2022, 12% of employed people were at risk of poverty and social exclusion. The Council should include in their recommendations the definition of 'decent work'. Member states must urgently publish their National Action Plans to Implement the Child Guarantee. They must all set a reduction target and appoint Child Guarantee Coordinators to identify those in need and the barriers they face in accessing essential services.

Conclusion

The economic rebound that EU societies and economies have been through since the sovereign debt crisis, the outbreak of COVID-19, and Russia's invasion of Ukraine, calls for the reiteration of social policies capable of adapting and responding to evolving challenges. Against this background, the three social targets advanced in March 2021 reflect both a common agenda and an opportunity to ensure that Europe reaches some of its most crucial objectives. Europe is making fast progress. Around 90% of the initiatives put forth by the European Pillar of Social Rights have either been implemented or presented by the Commission, and more initiatives are on the right path to being put into effect. Going beyond quantitative targets, however, the Pillar has significantly boosted the EU's social credentials at a time when the Union needs a solid, positive counter-crisis narrative that facilitates the advancement of the social *acquis* through strong political leverage.

All in all, albeit the Pillar does not seem capable of resolving the asymmetry between 'the market' and 'the social' in the EU, its principles offer a guiding light in times of confrontation, as it attempts to imbue the EU economic governance with a more social approach, using the European Semester to implement them. Reshaping the Pillar's legislative power and reinforcing its governance tools for the European Semester is, however, a crucial step, that goes hand in hand with the adoption of social conditionalities to ensure that the Pillar keeps staying on the right path. The doubts that remain do not question the Pillar's purpose to build a stronger social Europe, but its capacity to represent a leap towards a Union where social and employment rights become the steering instruments of the EU's governance.

1 Zuleeg, Fabian, Janis A. Emmanouilidis, Ricardo Borges de Castro (2021), "Europe in the age of permacrisis", Brussels: European Policy Centre.

2 Cantillon, Bea, (2019). "The European Pillar of Social Rights Ten arguments for prioritizing principle 14 on minimum incomes". *Towards a European Social Union. The European Pillar of Social Rights and the Roadmap for a fully-fledged Social Union. A Forum debate*. Edited by Maurizio Ferrera. EuVisions, Turin.

3 Stoetzer, Lukas F., "How does income inequality affect support for populist parties?", *London School of Economics* (accessed 9 December 2022).

4 European Council (2012), Towards a Genuine Economic and Monetary Union, Brussels.

5 Corti, Francesco, Sabato, Sebastiano and Vanhercke, Bart (2019) "The European (Social) Union is in need of a 'Social Imbalances Procedure". *Op cit*.

6 European Commission (2017), Establishing a European Pillar of Social Rights, Brussels.

7 European Commission (2010), EUROPE 2020: A strategy for smart, sustainable and inclusive growth, Brussels.

8 Official Journal of the European Union (2016), Consolidated version of the Treaty on the Functioning of the European Union. Article 151.

9 Carella, Beatrice, Graziano, Paolo (2021), "Back to the Future in EU Social Policy? Endogenous Critical Junctures and the Case of the European Pillar of Social Rights", *Journal of Common Market Studies*, Volume 60, Issue 2, pp. 374-390.

10 Vanhercke, Bart, Ghailani, Dalia, Sabato, Sebastiano (2018), *Social policy in the European Union: state of play 2018*, Brussels: ETUI.

11 Carella, and Graziano (2021), *op. cit*.

12 Andor L. (2019) 'A timely call for a social union' in Ferrera M. (ed.) *Towards a European Social Union: The European Pillar of Social Rights and the Roadmap for a fully-fledged Social Union. A Forum debate*, EuVisions, Turin.

13 See also Zeitlin, J. & Vanhercke, B. (2018) "Socializing the European Semester: EU social and economic policy coordination in crisis and beyond", *Journal of European Public Policy*, 25(2), 149-174.

14 Sabato, S. and Corti, F. (2018) "The Times They Are A-changin'? The European Pillar of Social Rights from Debates to Reality Check". In Vanhercke, B., Ghailani, D. and Sabato, S. (ed.) *Social Policy in the European Union: State of Play 2018*. Brussels: ETUI., pp. 51–70

15 Vanhercke, Bart, Spasova, Slavina (2021), *Social policy in the European Union: state of play 2021*, Brussels: ETUI.

16 Eurostat (2022), Gender employment gap, Brussels.

17 Eurostat (2022), Gender employment gap, by type of employment, Brussels.

18 European Commission (2022), 2022 European Semester: Proposal for a Joint Employment Report, Brussels.

19 EIGE (2021), "EIGE-2021 Gender Equality Index 2021 Report: Health", Brussels.

20 Brady, Danielle, Rayner, Laura (2021), "Gender equality: Who cares? Do you?", Brussels: European Policy Centre.

21 COFACE Families Europe (2022), "EU Work-life Balance Directive transposition in action: A mixed picture", Brussels.

22 Brady, Danielle, Kuiper, Elizabeth (2022), "Failing to invest in care will render ageing Europe ill-prepared for looming workforce woes", Brussels: European Policy Centre.

23 European Commission, The European Pillar of Social Rights Action Plan, Brussels.

24 See, for instance, the EU Charter of Fundamental Rights and the European Social Charter of the Council of Europe.

25 Rasnača, Zane (2017), "Bridging the gaps or falling short? The European Pillar of Social Rights and what it can bring to EU-level policymaking", Brussels: ETUI.

26 ETUC (2022), ETUC resolution on the proposal of the European Commission of a Directive on improving working conditions in platform work and way forward ahead of the ordinary legislative procedure, Brussels.

27 European Parliament (2022) "DRAFT REPORT on the proposal for a directive of the European Parliament and of the Council on improving working conditions in platform work", Brussels.

28 European Commission (2022), Employment and Social Developments in Europe 2022, Brussels.

29 European Commission (2022), Spring 2022 Economic Forecast: Russian invasion tests EU economic resilience, Brussels.

30 EuVisions (2019), *op. cit.*, p.

31 European Commission (2022), Joint Employment Report 2022, Brussels

32 Andor, László (2022), *Europe's Social Integration: Welfare models and Economic Transformations*, London: FEPS.

33 OECD (2022), "Minimum wages in times of rising inflation", Paris: OECD Publishing.

34 ETUC (2020), EU countries with weak collective bargaining have lowest wages, Brussels.

35 Andor (2022), *op. cit*.

36 Aloisi, Antonio, Rainone, Silvia (2021), "Time to deliver? Assessing the Action Plan on the European Pillar of Social Rights", Brussels: ETUI.

37 Rainone, Silvia (2020), "An overview of the 2020-2021 country-specific recommendations (CSRs) in the social field: The impact of Covid-19", Brussels: ETUI

38 European Commission, Beyond GDP Initiative. (accessed 5 December 2022).

39 European Parliament (2021). "Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility" (accessed 5 December 2022).

40 Aloisi, Antonio, Rainone, Silvia (2021), *op. cit*.

41 Morabito, Christian, Vandenbroeck, Michel (2020), "Towards A Child Union! Reducing Inequalities in the EU through Investment in Children's Early Years", Brussels: FEPS.

42 UNICEF, "Two million refugee children flee war in Ukraine in search of safety across borders" (accessed 5 December 2022).

43 European Commission (2021), European Child Guarantee, Brussels.

44 EAPN, The Eu Must Adopt An Eu Anti-Poverty Strategy With An Ambitious 2030 Poverty Target! (accessed 5 December 2022).

45 European Parliament, EU contribution to fight against child poverty, Brussels.

46 European Court of Auditors (2020), Combating Child Poverty – Better targeting of Commission support required, Luxembourg.

47 European Commission (2021), Study supporting FEAD monitoring: analysis of FEAD annual implementation reports (2018-2019), Brussels.

48 Brady, and Rayner (2021), *op.cit*.

49 European Commission (2022), A European Care Strategy for caregivers and care receivers, Brussels.

The **European Policy Centre** is an independent, not-for-profit think tank dedicated to fostering European integration through analysis and debate, supporting and challenging European decison-makers at all levels to make informed decisions based on sound evidence and analysis, and providing a platform for engaging partners, stakeholders and citizens in EU policymaking and in the debate about the future of Europe.

The **Social Europe and Well-being** (SEWB) programme is structured around the following priorities:

(1) strengthening the social dimension of EU policies and governance for upward social convergence;

(2) moving towards a modern and inclusive labour market;

(3) making European welfare states and social protection systems 'future-fit' in the light of ongoing labour market transformation; and

(4) investing in human capital for greater well-being and less inequality, with a particular focus on health.

The activities under this programme are closely integrated with other EPC focus areas, especially those related to migration and the economy, with a view to providing more 'joined-up' policy solutions.

With the strategic support of King Baudouin Foundation
Working together for a better society

Co-funded by the European Union