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Labour market policies in the 2020 CSRs

The 2020 European Semester objectives: sustainability and overcoming the Covid-19 crisis

The 2020 European Semester cycle introduced some interesting novelties with respect to previous years. These novelties are mainly the result of two separate but ultimately converging processes.

First, the Von der Leyen Commission launched the 2020 European Semester on a rather innovative premise. In the past, the policy objectives of each Semester cycle were defined in the Annual Growth Survey. Traditionally, the reduction of public spending through reforms of national social protection systems, as well as the creation of flexible, inclusive and mobile labour markets, had figured high among the main priorities of the yearly growth agenda. However, in December 2019, the Von der Leyen Commission opened the Semester cycle with the Annual Sustainable Growth Strategy (ASGS) for 2020, which, as the title of the document indicates, presented a more holistic and less competitiveness-driven growth agenda. The Commission thereby declared its commitment to substantially widening the rationale of the Union's growth strategy, and introduced 'fairness' and 'environmentalism' among the objectives of the Semester process. The Commission also proclaimed its intention to integrate the UN Sustainable Development Goals in the European Semester.

While admittedly impressive from a rhetorical point of view, the Commission's openness towards a 'new growth model' is only significant if effectively transposed into tangible policies. In this respect, the 2020 Country-Specific Recommendations (CSRs) provided a first occasion to test the propositions developed in the new ASGS. And interestingly, our analysis shows that, despite the fact that the impact of the UN SDGs is hardly noticeable, a renewed emphasis on Europe's social dimension does indeed seem to have emerged.

The second factor responsible for the novel policy orientations of the 2020 European Semester cycle is the Covid-19 outbreak and the consequent efforts to mitigate the impact of the socio-economic crisis that it has generated. The stress that the pandemic imposed on the Member States' health systems and the (more or less) prolonged containment measures adopted by different national governments called for a revaluation of the public spending figures for all countries (even if to different extents). In March 2020, the Commission thus proposed the activation of the general escape clause of the Stability and Growth Pact, allowing Member States to deviate from the Union's usual budgetary rules. Moreover, the pandemic highlighted the importance of effective social safety nets and led to the adoption of the SURE mechanism, providing

Evolution of the Annual Growth Survey's priorities over the years: from 'flexicurity' to a more social orientation

In the initial years of its publication, the Annual Growth Survey (AGS) explicitly addressed the need to increase competitiveness by lowering labour costs. For example, the 2012 AGS stated: 'In some Member States employment protection legislation creates labour market rigidity, and prevents increased participation in the labour market. Such employment protection legislation should be reformed to reduce over-protection of workers with permanent contracts, and provide protection to those left outside or at the margin of the labour market'. Similarly, the 2013 AGS proclaimed: 'Several ambitious reforms are being implemented across Europe. [...] measures have been taken to facilitate flexible working arrangements within firms, reduce severance pay for standard contracts and simplify individual or collective dismissal procedures. Steps have also been taken to enhance flexibility in wage determination, such as easing the conditions for firms to opt out of higher-level collective bargaining agreements and the review of sectoral wage agreements.'

Throughout the years, direct references to the reduction of employment and social security protection became less frequent, but the AGS consistently stressed the importance of increasing the flexibility of the labour market. For the first time, in the 2020 Annual Sustainable Growth Strategy the focus on flexicurity is fully abandoned.

support for national short-time work schemes. Our analysis of the 2020 CSRs indicates that both the suspension of the budgetary rules and the emphasis on social protection systems are echoed in the recommendations. The CSRs are, for the first time, released from the dictates of EU fiscal rules, allowing greater leeway to focus on welfare and progressive policies.

Observing the evolution of the 'social' Country-Specific Recommendations

A key question that emerges from this analysis is: how did the ASGS and the Commission's response to the Covid-19 crisis reverberate in the 'social' CSRs? A CSR is considered to be 'social' when it touches upon one of the following categories: wages; social dialogue; employment protection legislation; labour market participation; youth employment; pensions; social protection and social assistance; child poverty; and taxation.

2. Labour market and social developments

3. The path to 'zero carbon' in a post-Covid world

4. Fair minimum wages and collective bargaining

5. Covid-19: a 'stress test' for workers' safety and health

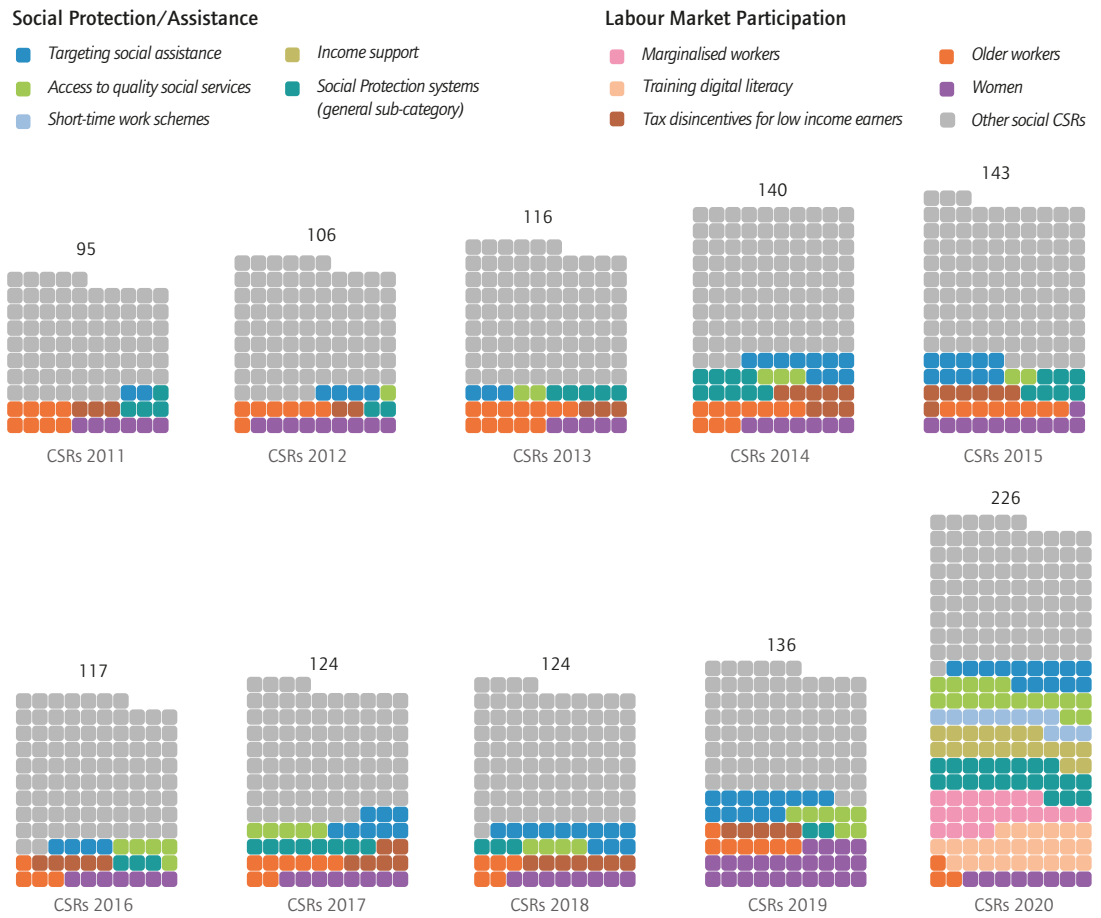
6. Democracy at work in a pandemic

7. Foresight: the many possible post-pandemic futures



In conclusion, it is safe to argue that the 2020 CSRs dedicate a substantially greater deal of attention to social aspects than they did in previous years."

Figure 2.29a Evolution of CSRs on social protection and labour market participation



Source: ETUI own analysis, see also Rainone (2020).

Figure 2.29b Evolution of CSRs on labour market policies and considerations on the impact of Covid-19

Category	Sub-category	CSRs 2011	CSRs 2012	CSRs 2013	CSRs 2014	CSRs 2015	CSRs 2016	CSRs 2017	CSRs 2018	CSRs 2019	CSRs 2020	
Labour Market Participation	Women	6	9	5	7	11	7	8	8	14	8	
	Older workers	8	7	12	10	8	4	8	5	7	3	
	Tax disincentives for low income earners	3	2	3	8	7	5	6	7	5	0	
	Training digital literacy	/	/	/	/	/	/	/	/	/	25	
	Marginalised workers	/	/	/	/	/	/	/	/	/	21	
	Subtotal		17	18	20	25	26	16	22	20	26	57
	% of total social CSRs		17.90%	16.10%	17.20%	17.80%	18.20%	13.70%	17.70%	16.10%	19.10%	25.20%
Social Protection / Assistance	Social Protection systems (general sub-category)	4	2	5	9	7	3	8	3	2	21	
	Income support	/	/	/	/	/	/	/	/	/	19	
	Short-time work schemes	/	/	/	/	/	/	/	/	/	11	
	Access to quality social services	0	1	2	3	2	5	5	4	7	17	
	Targeting social assistance	2	4	3	10	10	4	8	12	13	14	
	Subtotal	6	7	10	22	19	12	21	19	22	82	
	% of total social CSRs	6.30%	6.60%	8.60%	15.70%	13.30%	10.20%	16.90%	15.30%	16.10%	36.20%	
TOTAL SOCIAL CSRs	95	106	116	140	143	117	124	124	136	226		

Source: ETUI own analysis, see also Rainone (2020).

Note: The '/' symbol indicates that until 2020 the subcategories did not exist in the ETUI taxonomy, since CSRs on those topics were never identified. In 2020, the plethora of CSRs on those topics compelled the creation of new categories.

First of all, from a rather crude quantitative point of view, the total number of the recommendations addressing social or employment matters significantly increased (from 136 in 2019 to 226 in 2020). Secondly, this quantitative increase especially concerns the categories of 'labour market participation' and 'social protection and social assistance', which together hold more than 60% of the total social CSRs (25.2% and 36.2%, respectively; see Figure 2.29). And, last but not least, the 2020 CSRs frequently address new topics: 'training digital literacy', 'enhancing labour market participation for marginalised workers', 'income support' and 'short-time work schemes'. Therefore, as crude as this measurement may be, it does clearly show a renewed interest in 'social' issues in the CSRs and in the general policy orientation of this Commission.

In conclusion, it is safe to argue that the 2020 CSRs dedicate a substantially greater deal of attention to social aspects than they did in previous years. The absence of tangible macroeconomic constraints creates a policy space for public investments directed at strengthening national safety nets and the inclusivity of labour markets, with particular attention given to those at risk of marginalisation. Furthermore, and differently from previous years, there is no emphasis on reducing labour costs, decentralising wage bargaining, or further pursuing the flexibilisation of labour markets. Overall, it is quite encouraging to note that the social CSRs have abandoned their (usually dominant) economic rationale and respond more genuinely to social objectives. This development reflects the Commission's declared commitment to mitigate the social effects of the Covid-19 crisis, in keeping with the spirit of the ASGS for 2020. However, it is too early to say whether this more social outlook will become a structural trend in EU governance. So far,

there has been some ambiguity on this question. On the one hand, the recently published ASGS for 2021 indicates that the recovery and resilience plans that the Member States will need to present to access the EU recovery fund (the Recovery and Resilience Facility) will be assessed against the 2020 CSRs. But, on the other hand, the ASGS for 2021 addresses social and labour policies mostly in the broader context of the green and digital transitions, without identifying concrete priorities and targets. The actual implementation of the Recovery and Resilience Facility mechanism will thus be the first test of the resilience of the social orientation of the 2020 Semester.

Methodology of the ETUI's comparative research on the CSRs

As in previous years (see e.g. Clauwaert 2019), the ETUI analysis takes into consideration all the recommendations received by the Member States, regardless of the fact that these recommendations are formulated in the recitals or in the more prescriptive part of the document.

It should be noted that the higher number of social CSRs observed in 2020 can partially be attributed to the fact that the 2020 CSRs addressed new topics, requiring an update of the analytical framework through which the ETUI assesses the CSRs. For example, some more complex recommendations that would only be counted under one category in the old framework, have been disaggregated and doubly counted this year, under both old and new categories. However, this multiplier effect is only marginal since, in the past years, the number of CSRs that addressed these 'new topics' was minimal.