Council of the European Union

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NOTE

From:	Presidency
To:	Permanent Representatives Committee
Subject:	Social Convergence Framework - Guidance for further work

In order to provide guidance ahead of the policy debate on the European Semester 2023 at the EPSCO Council on 12 June 2023, the Permanent Representatives Committee will find attached a steering note on the question in subject.

I. INTRODUCTION

At the October 2021 EPSCO Council, Belgium and Spain suggested the introduction of a Social Imbalances Procedure (SIP) into the European Semester, inspired by the macroeconomic imbalance procedure, but without a corrective arm. Both at that Council and the following EPSCO Council in December 2021, some Ministers indicated that they would welcome technical work on that issue.

II. WORK UNDER FRENCH PRESIDENCY

In February 2022 the **French Presidency** mandated the Chairs of the Employment Committee (EMCO) and Social Protection Committee (SPC) to 'produce preliminary technical expertise to facilitate decision-making by Ministers' and elaborate on the feasibility of such a mechanism. The two Committees as well as their Indicators Subgroups worked on this. The result of this work was summarized in an opinion adopted by them in June 2021[1].

The EPSCO Council had an exchange of views on the issue at its meeting in June 2022 where Ministers had mixed reactions. Some Ministers could clearly support to the BE/ES suggestion whereas others opposed this idea. An idea had been suggested in the EMCO-SPC opinion to initiate a pilot project where Member States could participate on a voluntary basis. The opinion also noted that several delegations could envisage to further work on, for example, the notion of social imbalances, the use of criteria and the triggering of the mechanism.

[1] Doc. 9222/22.

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III. WORK UNDER CZECH PRESIDENCY

Following the discussion in the EPSCO Council in June 2022, the **Czech Presidency** mandated the two Committees to carry on working on the SIP. As a response to the suggestion of setting up a dedicated joint EMCO-SPC Working Group, such WG was established. It consisted of members from 21 MS. The purpose was to prepare for a simulation of the SIP in the form of a pilot. Furthermore, the WG was tasked with defining SIP, setting criteria for triggering SIP, assessing the impact of SIP on the European Semester as well as considering the relationship between SIP and the macroeconomic imbalances procedure (MIP). The EPSCO Council was informed of the results of this work in December 2022.

IV. WORK UNDER SWEDISH PRESIDENCY

In its turn, the Swedish Presidency invited the Chairs of EMCO and SPC to provide it's view on the outcome of the pilot project, and hence potential new instrument, in particular regarding the appropriate name, the operating of the instrument, its integration into the Semester, the role of EPSCO as well as its added value in relation to existing instruments and consequences in terms of administrative burden. The joint WG has met on several occasions to discuss the issues at stake and forwarded the result to EMCO and SPC for approval. At its final meeting on 8 May 2023, the joint EMCO-SPC Working Group agreed on the text of the report[2] and endorsed proposals to EMCO and SPC of joint key messages. At their meeting on 12 May, EMCO and SPC agreed on final KM[3]. EMCO-SPC were also encouraged by the Swedish Presidency to receive input from the ECOFIN filière. A meeting took place on 16 May 2023 between the EPSCO Committees and Economic Policy Committee.

[2] ST 9481/23 ADD 1.
[3] ST 9481/23.

V. RESULTS OF THE WORK IN THE JOINT EMCO and SPC WORKING GROUP AS AGREED BY EMCO AND SPC

On the basis of the report agreed in the Working Group, EMCO and SPC agreed, while acknowledging different degrees of support among Member States, on KM suggesting the following:

- To refer to the mechanism as a Social Convergence framework (SCF) rather than to a Social Imbalances Procedure;
- The SCF would entail a more structured and deeper analysis of employment and social developments at the national and Union levels within the annual Semester cycle.
- It should be carried out in two separate steps: the first step would be the assessment of the existence of risks to upward social convergence in the Joint Employment Report, based on existing tools and complementary criteria. In the second-step analysis, resulting in a Social Convergence Report, the Commission services would use a wider range of monitoring tools and would consult the relevant Member States;
- The multilateral surveillance activities of the two Committees could be based both on the country-specific reports (CSRs) and the Social convergence reports;
- There should be no automaticity between the issuance of a social convergence report and the CSR for a given Member State;
- The MS had diverging views on the added value of the SCF and its potential administrative burden;

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VI. CONCLUSIONS

Against this background, the Committee of Permanent Representatives is asked provide guidance by replying to the following two questions:

1. *In light of the examination conducted by the Employment Committee and the Social Protection Committee, would you support strengthening the monitoring of upward social convergence in the European Semester by integrating a Social Convergence Framework as described in the Key Messages?*

2. *Would you support the idea of the EPSCO Council every year approving Council Conclusions on Social Convergence in the Union based on the findings and the multilateral discussions under the new framework?*

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