POLICY BRIEF

08 / 2021 — Economic

The Recovery and Resilience Facility: Have social actors been sidelined?

Key points

- The roles of social affairs players in EU's economic governance cannot be taken for granted. Launched by the European Council in July 2020, the Recovery and Resilience Facility (RRF) was closely linked to the European Semester structures and procedures. Some of its key features, including stakeholder consultation, were put on hold to ensure speedy action.
- Social actors geared up to seize their place in this evolving governance architecture: they moved back to adopting Semester practices, staying in position, ready to jump at the first opportunity.
- EU level officials have shown themselves receptive to social issues and the views of social actors. The online meeting culture of 2020-2021 further facilitated access and consultations.
- Enhanced EU level consultation leaves key questions unanswered: does being 'heard' at the EU level also imply that social stakeholders' voices have been 'listened to' (i.e. have had practical effects)? Has such enhanced consultation also taken place at the national level? The results of this study do not warrant a lot of optimism at this point.
- Although social actors are reclaiming their prominence in the process, the risk is that social actors may still be ignored in the governance of the European Semester. Therefore, systematic and transparent involvement of national and EU social stakeholders is needed, especially regarding the implementation and monitoring of the National Recovery and Resilience Plans. The inclusion of social stakeholders is a prerequisite for the success of the EU recovery.

Background

Responding to the Covid-19 pandemic, the European Council decided to provide unprecedented financial support to member states to help them with the economic fall-out of the pandemic. The creation of a temporary institutional structure – the RRF – to support member states with loans and grants was agreed to in July 2020 and was formally established in February 2021. To access the RRF funds, member states need to submit detailed National Recovery and Resilience Plans (NRRPs).

This Policy Brief examines to what extent this new set-up changes the power balance among key actors (e.g., financial and economic versus social affairs actors) in the EU's macroeconomic architecture. It is based on extensive document analysis and 23 semi-structured elite interviews (October 2020-July 2021) with individuals who hold senior positions in different Directorates General (DGs) of the European Commission, European social partners organisations, and in member states.

This brief is an abridged version of a scientific article that is forthcoming in a Special Issue of JCMS: Journal of Common Market Studies on the theme: 'Macroeconomic Policy Coordination and Domestic Politics: Policy Coordination in the EU from the European Semester to the Covid-19 Crisis'. The extended version can be found in Vanhercke and Verdun (2022).

Main findings

Shortly after the announcement of the intention to create the RRF in July 2020, concerns were voiced. While national leaders left unsettled the RRF's governance details, numerous stakeholders were worried about how social affairs players would be included or social priorities would be incorporated into the RRF.

Managing the RRF

The EU documents published in autumn 2020 provided a broad-brush view of how the RRF would be managed procedurally. The implementation of the RRF would be coordinated with the Semester. This work would be centralised within the Recovery and Resilience Task Force (RECOVER), which had been established in August 2020 in the Commission's Secretariat-General (SECGEN). Working in close cooperation with DG Economic and Financial Affairs (DG ECFIN), the Task Force reports directly to the Commission President. A formal role was assigned to the Economic and Finance Committee (EFC), although actual deliberations mostly take place in the 'technical' Council preparatory bodies (Coreper II).

The early plans to create the RRF had the Commission clearly placed in the driving seat to steer and monitor the use of funding, by encouraging member states to interact with its services to discuss informally and bilaterally the draft plans as early as possible. A negative assessment by the Commission could – however unlikely in view of the enormous pressure to disburse the money without delay – mean that no financial contribution would be allocated to the member state concerned.

European Semester adaptations to the RRF

Some aspects of the Semester initially remained largely unaffected. The Commission published its Semester Autumn package, as planned, on 18 November 2020: the Opinions on the Draft Budgetary Plans (DBP) of Euro Area member states and the Euro Area recommendation, as well as the Alert Mechanism Report (AMR) and a proposal for a Joint Employment Report (JER).

Other components of the Semester, by contrast, were transformed soon after the launch of the RRF. Many of our interviewees felt that key aspects of the Semester were 'on hold' or 'frozen', with a view to a) reducing the reporting burden for national and EU administrations; b) channelling the money to the member states as soon as possible; and c) upholding consistency in the key messages coming from the EU.

One key change pertained to the 2021 Annual Sustainable Growth Strategy, which was published two months earlier, but without the usual consultation either at the national or the EU levels. It was also transformed into strategic guidance to the member states for the implementation of the RRF.

An even more significant change pertains to the Country Reports: in the absence of the Semester 'Winter package', they are replaced as the Semester's main analytical reference documents by the Commission assessment of the NRRPs.

The most notable change, however, in the 2021 Semester cycle, is that no new Country-specific Recommendations (CSRs) are issued to member states that present an NRRP, except on fiscal matters (Stability and Growth Pact). During 2021 all previous CSRs remain valid and should steer the reforms and investments proposed by the member states in their NRRPs. Working through the CSRs has its limitations: member states endeavour to spend the new funds according to their domestic preferences, while the Commission uses its authority to ensure that each NRRP contains the required expenditure related to climate (37%), the digital transition (20%) as well as the Action Plan of the European Pillar of Social Rights.

Social stakeholders: heard but not listened to?

A final, crucial change relates to stakeholder involvement: many actors voiced concerns over the lack of involvement of social stakeholders in the design and adoption of the NRRPs. At the national level, prime ministers, finance ministers and ministers responsible for cohesion policy are the ones steering NRRP decision-making. Social stakeholders needed to develop new national and EU networks – which takes more time than was available under tight deadlines. Together with the sheer size of the funding package, this situation, in turn, may have made it even more attractive for powerful industrial lobbyists to seek to influence the drafting of the RRF and the NRRPs. The involvement of social stakeholders in the 2021 Semester cycle – and therefore their overall impact on the RRF – may therefore be rather limited. With this prospect in mind, European Trade Union Confederation's (ETUC) 'Real Time Monitoring Tool (RTMT)' keeps track of trade union involvement in NRRP drafting and implementation.

The final RRF Regulation requires that member states not only include a summary of the NRRP consultation process, but also report on how the input of the stakeholders is reflected in them. These requirements exceed those mandated during the Semester.
The German rotating EU Presidency (July-December 2020), and the European Parliament (as a

co-legislator of the RRF Regulation), played important roles, demanding that social partners be heard in the process. The language in the Regulation is flexible, enabling a mix of speed and ability to tailor to different national circumstances. It will be important to establish whether the timespan between the first formulation of NRRPs and their official submission has effectively provided a window of opportunity for social and economic actors to engage with their content. More work is needed to ensure that this involvement is translated into operational practice: stakeholders should not only be 'heard' (process), but also 'listened to' (i.e. have practical effects). Evaluations are needed of the varying consultation processes in member states and of how these could be improved.

The recovery facility: strategic actors in search of a role

According to those we spoke to, the initial side-lining of social actors was the result of 'crisis policymaking' and 'improvisation' during a 'storm from all sides'. Arguably, concern around the exclusion of these actors explains why, in November 2020, the Employment, Social Policy, Health and Consumer Affairs (EPSCO) Council formation encouraged the Commission 'to build on the established processes and governance practices within the Semester cycle, thereby involving all relevant Council formations and their preparatory bodies for the effective implementation of the NRRPs. The fact that the 'territory' gained by social affairs players over the past decade again seemed to be contested is quite striking, since member states' NRRPs include significant social investments and reforms. For some countries (e.g. Bulgaria and Croatia), the financial contribution from the EU would be unprecedented – above 10% of Gross Domestic Product (GDP) – while for five other countries the support would be between 5% and 10% of GDP.

Getting a foot in the door: revamping previous Semester tools

While the '[socialisation](#)' (in the language of Zeitlin and Vanhercke, 2018) of the EU's overarching macroeconomic governance framework has come under pressure, there are some indications that the practices institutionalised during the past decade in the Semester may prove to be quite robust. As of late 2020 and early 2021, there is a tendency to return to the more 'normal' Semester practices, although changes will be made to the Semester.

The German rotating EU Presidency played a pivotal role in involving the EPSCO Council in the RRF decisions: the Social Affairs Ministers decided, in November 2020, to invoke Article 148 TFEU exceptionally. By stressing that the NRRPs are part of the National Reform Programmes – which both the Employment Committee (EMCO) and the Social Protection Committee (SPC) have reviewed in the past – the EPSCO Council clearly puts its mark on these strategic documents.

Following suit, the EMCO Secretariat – provided by the Commission's DG Employment, Social Affairs & Inclusion (DG EMPL) – used the annual update of its multilateral surveillance activities to ensure a role for EMCO, in collaboration with the SPC, in the RRF. The EMCO Secretariat also proposes that the committee should discuss how member states plan to use EU funding. This is remarkable, since the Semester had not been designed to be a governance framework for the allocation and monitoring of funds.

After months of hesitation about which role (if any) to play in the RRF, both EMCO and the SPC have revamped their multilateral surveillance. The objective is threefold: a) to prepare a swift return to the previous Semester practices; b) to ensure input from both committees in the RRF; and c) to provide background to the Commission in view of its assessment of the NRRPs.

The Social Affairs DG: no longer powerful, but still increasingly influential

The roles 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 Commission DGs – have been significantly pruned, at least formally. Commissioner Schmit is not on the Steering Board of the European recovery plan, implying that his cabinet is de facto excluded from the central political guidance given to the internal work of the Commission. Yet, key respondents across the Commission confirm that, in practice, SECGEN and DG ECFIN are working in close cooperation with their counterparts in DG EMPL – e.g., in the 'RECOVER ECFIN Country Teams' made up (despite the name) of Commission officials across different DGs. DG EMPL also participates in the 'technical' bilateral meetings with member states, although these are as a rule chaired by counterparts from RECOVER or ECFIN. DG EMPL's know-how in managing EU cohesion policy gives this DG additional leverage in the NRRPs. Clearly, DG EMPL's country intelligence on social policy and labour market issues is needed to assess the significant 'social' parts of member states' NRRPs. Whether this DG can effectively re-establish its voice in the process will largely depend on the ad hoc RRF arrangements to be implemented during 2021.

Demands

As the EU reaches a first dose vaccination rate close to 70%, and the International Monetary Fund forecasts a strong recovery following a deep recession, it may be that we are witnessing a sooner than expected return to the usual Semester practices. With the linking of the RRF to 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, with more teeth. As the RRF's governance framework, national ownership of the Semester could be strengthened. These changes may potentially lead to an increase in implementation of CSRs, now taken more seriously by member states and stakeholders alike.

Given the finding that the overall number of 2020–2021 \`social´ CSRs is the highest ever recorded, this link with the NRRPs should, in principle, provide the Commission and national social 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.

Yet, some risks are involved. Scrutiny of spending and reform plans is far from a-political and cannot be done in a mechanical way: by funding certain investments and reforms, and not others, the EU is getting under the skin of the member states. The risk is that the EU becomes embroiled in national political discourse – including sensitive policy domains – while it cannot account for the consequences of the reforms.

Although our analysis finds that social actors are reclaiming their prominence in the process, especially as the immediate urgency of achieving a deal has subsided, the risk is still that they end up being ignored in the governance set-up of the Semester. Systematic and transparent involvement of national and EU social stakeholders in the implementation and monitoring of the NRRPs will be a prerequisite for turning the EU's recovery into a success.

Literature

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September 2021

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