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From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	Introduction of a Social Convergence Framework in the European Semester - Report of the joint EMCO-SPC Working Group

Delegations will find attached the Report on Social Convergence Framework with a view to the Council meeting (EPSCO) on 12 June 2023.

The Key Messages which are drawn from this report are contained in doc. 9481/23.

Annex - Report of the joint EMCO-SPC Working Group

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Section 1 – Introduction

On 17 November 2017, at the Gothenburg Social Summit, the European Parliament, the Council and the Commission proclaimed the European Pillar of Social Rights, delivering on the commitment to work towards a social Europe.¹ The development of the Pillar began in 2015 with a public consultation on the social priorities of the EU, followed by an assessment of the existing *social acquis* which resulted in the identification of 20 principles that formed the basis of the Pillar. Following its proclamation, in the EU Strategic Agenda 2019-2024, EU leaders have underlined that the Pillar needs to be implemented, turning its principles into action at Union and Member State level with due regard for the respective competences.²

On 21 March 2021, the Commission presented an Action Plan to implement the Pillar via a set of initiatives, including the revision of the Social Scoreboard and the identification of new 2030 EU headline targets on jobs, skills and poverty reduction.³ The headline targets and the policy priorities identified by the Commission were welcomed by EU leaders at the Porto Social Summit of 7-8 May 2021 via the “Porto Declaration”, which identified the European Semester as the policy coordination framework to monitor implementation and stressed *“the importance of closely following, including at the highest level, the progress achieved towards the implementation of the European Pillar of Social Rights and the EU headline targets for 2030”*.⁴

Against this background, and following up on earlier calls to strengthen the role of the EPSCO Council and the social dimension of the European Semester⁵, at the EPSCO Council meeting of 15 October 2021, Belgium and Spain launched an initiative to introduce in the Semester what they called a “Social Imbalances Procedure” (SIP).⁶ Following the interest expressed on that occasion by several Ministers, on 27 January 2022 the French Presidency invited the Employment Committee (EMCO) and the Social Protection Committee (SPC) to prepare a joint Opinion on the initiative by May 2022, in view of the June EPSCO. After having agreed on a roadmap to fulfil the request by the Presidency, the Committees – supported also by their indicators’ subgroups (EMCO IG and SPC ISG) – held a series of extraordinary meetings between February and May to study the initiative (see also Box 1).

The EMCO-SPC Opinion⁷ of 16 May 2022 underlined the points of preliminary convergence among Member States as well as the elements requiring further examination. In particular, the Opinion concluded that *“while some convergence was expressed on defining the structure of a possible SIP on the basis of existing instruments [...]*

¹ The European Parliament adopted a [resolution](#) in January 2017, followed by the “[Rome Declaration](#)” subscribed in May 2017 by leaders of 27 member states and of the European Council, the European Parliament and the European Commission.

² At its meeting in Brussels on 20 June 2019, the European Council agreed on an agenda for the EU for the next five years. [‘A new strategic agenda 2019-2024’](#) sets out the priority areas that will steer the work of the European Council and provide guidance for the work programmes of other EU institutions.

³ The European Pillar of Social Rights [Action Plan](#).

⁴ [Porto Declaration](#).

⁵ For example, within the EMCO-SPC assessment of the Europe 2020 Strategy, available at: <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8256&furtherPubs=yes>.

⁶ The proposal was detailed in a technical paper circulated to the EMCO and SPC Secretariats in June 2021.

⁷ [Council ref. 9222/22](#).

at this stage Member States remain divided on whether a SIP would meaningfully improve the analysis and monitoring of employment and social outcomes. In this context, with a view to study more closely the possible functioning of a SIP, several EMCO and SPC delegates supported the suggestion by a few Member States to initiate a pilot where Member States could participate on a voluntary basis”.

Following the interest expressed by several Ministers at the 16 June 2022 EPSCO Council, the Czech Presidency invited EMCO and SPC on 2 September to run a pilot to test the possible functioning of the initiative. Accordingly, on 29 September the Committees agreed to set up a dedicated joint EMCO-SPC Working Group (WG) aimed at addressing the issues referred to in the May 2022 EMCO-SPC Opinion, notably by running such a pilot.⁸ The Terms of Reference of the WG indicated that the participation in the group was voluntary, and that membership should fulfil certain criteria; also, the possibility was envisaged for Member States not participating in the group to attend the meetings as ‘observers’.

The WG held ten meetings between October 2022 and May 2023, with discussions spanning over conceptual reflections, technical considerations and practical simulations. The group agreed on establishing a first phase of activities mostly dedicated to analytical/methodological discussions (October – December 2022) and a second phase aimed at running and discussing a series of pilot-based simulations (January – May 2023). The WG, composed of 21 Member States⁹ plus the Commission, appointed Mr Emiliano Rustichelli (IT, EMCO Chair) as its Chair on 13 October and Mr Jere Päävinen (FI, SPC Member) as Vice-Chair on 9 November. The Chair reported to the Ministers on the state of play of the discussions at the EPSCO meetings of December 2022 and March 2023 during the respective European Semester policy debates. The Economic Policy Committee (EPC) was informed on the progress achieved via a series of exchanges and information points.¹⁰

As a member of the Working Group, the Commission presented two Commission services’ position papers – in November 2022 and February 2023 – to support the integration of a so called “Social Convergence Framework” (SCF) in the European Semester, in line with a positive narrative. The first paper highlighted that the Commission services would see the value added of this new framework as improving the assessment and monitoring of employment and social developments in the Member States and the Union. The paper also indicated how such a framework could be integrated in the European Semester context. In the second position paper, the Commission services provided more details on the overall architecture of a SCF in the Semester, notably regarding the role of the Commission services, the EPSCO Council and its Committees.

On 15 February 2023, the Swedish Presidency provided a third mandate to EMCO and SPC by inviting the Committees to inform the Council about the outcomes of the pilot by mid-May. The new mandate refers, in particular, to the need to address some key issues referred to in the previous Opinion, notably the appropriate name and terminology used, how

⁸ The pilot was run independently from the actual surveillance in the context of the 2023 Semester cycle.

⁹ BE, CZ, DE, EE, EL, ES, FI, FR, HR, HU, IE, IT, LU, LT, LV, MT, NL, PL, PT, SI, SK.

¹⁰ The EMCO Chair attended a first exchange of views with the EPC on 8 April 2022. Further exchanges were attended by the EMCO and SPC Chairs on 11 May and 13 December 2022. Additional information points on the basis of the WG activities were provided to the EPC meetings of 13 October and 23 November 2022, as well as on 23 March and 27 April 2023. A final exchange is tentatively scheduled on 16 May to present the findings in the WG report.

a framework could be integrated in the European Semester, as well as its potential value added in relation to existing instruments and possible consequences on the administrative burden. To fulfil the request by the Presidency and provide a comprehensive examination taking into account the substantial work undertaken in the WG, on 29 March the group agreed on the process for preparing a technical report to be sent to EMCO and SPC, including draft Key Messages that could inform the discussion in the parent Committees.

On 29 March the WG expressed a strong preference for labelling the new process under discussion as a “Social Convergence Framework”, aimed at monitoring upward social convergence in the Union, in line with the Commission services’ proposal, without pre-empting a political decision on its possible integration into the European Semester. Following a series of final reflections, the Working Group concluded its activities on 8 May 2023 by adopting this technical report, which summarises the work conducted and its outcomes. The remainder of the report is structured as follows:

- Section 2 identifies the general scope and value added of a possible “Social Convergence Framework” in the European Semester, largely based on existing instruments;
- Section 3 describes how each step of a “Social Convergence Framework” could be conducted, including regarding the respective roles of the Commission, the EPSCO Council and its advisory committees;
- Section 4 highlights a series of brief concluding remarks, as well as possible areas for further reflection in the EPSCO filière.

Box 1 - Key steps in the discussions:

- 15 October 2021 – Initiative by Belgium and Spain for a “Social Imbalances Procedure” (SIP) in the European Semester;
- 27 January 2022 – Mandate from the French Presidency to EMCO and SPC to prepare an Opinion by May 2022;
- February – May 2022 – Discussions in EMCO, SPC, IG and ISG on the issues referred to in the mandate of the French Presidency;
- 11 May 2022 – Exchange of views with the Economic Policy Committee (EPC);
- 16 May 2022 – Adoption of an Opinion in EMCO and SPC to be transmitted to the Council;
- 25 May 2022 – Discussion of the EMCO-SPC Opinion in COREPER;
- 16 June 2022 – Discussion of the EMCO-SPC Opinion in EPSCO;
- 2 September 2022 – Mandate from the Czech Presidency to EMCO and SPC to test the process;
- 29 September 2022 – Establishment in EMCO-SPC of an ad-hoc Working Group (WG) aimed at organising a pilot in parallel to the 2023 European Semester;
- October – December 2022 – First phase of WG activities: analytical/methodological discussions;
- 13 October 2022 – Appointment of Mr Emiliano Rustichelli (IT, Chair of EMCO) as Chair of the Working Group;
- 8 November 2022 – First Commission services’ paper for a “Social Convergence Framework” in the European Semester;
- 9 November 2022 – Appointment of Mr Jere Päävinen (FI, Member of SPC) as Vice-Chair of the Working Group;
- 8 December 2022 – Oral reporting from the Chair to EPSCO;
- 13 December 2022 – Exchange of views with the EPC;
- January – May 2023 – Second phase of WG activities: pilot;
- 15 February 2023 – Mandate from the Swedish Presidency to EMCO and SPC to report on the pilot in May;
- 28 February 2023 – Second Commission services’ paper for a “Social Convergence Framework” in the European Semester;
- 13 March 2023 – Oral reporting from the Chair to EPSCO;
- 29 March 2023 – Consensus in the Working Group for using the label “Social Convergence Framework”;
- 26 April and 8 May 2023 – Finalisation of the WG Report;
- 8 May 2023 – Finalisation of the technical elements of the draft Key Messages of the WG Report in IG-ISG;
- 12 May 2023 – Finalisation of the Key Messages of the WG Report in EMCO-SPC, to be sent to the Presidency;
- 16 May 2023 – Exchange of views with the Economic Policy Committee, summarised in a Chairs’ letter to the Presidency;
- 12 June 2023 – The reported outcome from EMCO and SPC will feed into the European Semester policy debate in EPSCO.

Section 2 – Objectives, scope and overall structure of the new framework

2.1. Name, objectives and value added

Following the original initiative by Belgium and Spain, the EMCO-SPC Opinion endorsed by EPSCO in June 2022 indicated that further work was needed on the name, objectives and value added of the possible new process. The Opinion acknowledged that “*further conceptual and analytical work is needed to converge towards an agreed definition*” and that “*EMCO and SPC are open to further reflections on the adequacy of the term ‘social imbalances’, including in relation to a possible change to ‘social divergences’*”. Moreover, “*discussions showed that Member States’ views are divided on the value added of a possible SIP. While some Member States support the SIP proposal and regard its possible introduction as an opportunity to ensure a stronger role of EPSCO in the Semester, a number of other Member States questioned its value added in terms of how a SIP would meaningfully differ from existing instruments and emphasised the need to develop a definition of “social imbalance”*”.

In this light, the WG held further exchanges on the name and objectives of the new framework; and finally, at the concluding discussion on 29 March 2023, delegates expressed a clear preference towards the concept of *upward social convergence* in the context of a “Social Convergence Framework” as put forward in the 9 November Commission services’ position paper. In particular, the steering note of 7 October indicated how, based on the broad agreement previously reached on some key elements of the new process (notably the use of Social Scoreboard headline indicators and the JER traffic-light methodology), *social convergence* seemed to represent the focus of the new framework better (also in light of the lack of solid theoretical underpinning and possible legal concerns pointed at by the Commission and several Member States in relation to the concept of social imbalances). The JER methodology indeed allowed monitoring the performance of Member States on the Social Scoreboard headline indicators *in comparative terms* and looking at convergence/divergence patterns across Member States per indicator. In this sense, the enhanced monitoring framework under discussion had the potential to identify risks and challenges to upward social convergence, in line with the spirit of the European Pillar of Social Rights, and to promote reforms and investment to address those.¹¹ Only a few Member States still favoured the initial concept of *social imbalances*, justifying their preference with the possibly higher policy relevance and visibility of referring to *imbalances*, notably in a parallel to the existing Macroeconomic Imbalances Procedure (MIP). In the spirit of compromise, also those Member States indicated that they could agree on the new concept of social convergence, with some emphasising the importance of first agreeing on its definition.

On the value added of the new framework, conclusions were less clear-cut, with the Commission services and many WG delegates highlighting a clear value added, while others still expressed doubts. The Commission services noted in their first position paper the benefits of strengthening the assessment and monitoring of employment and social developments via a more systematic two-step process; of strengthening and sharpening the focus of the yearly multilateral surveillance activities by EPSCO and EMCO and SPC; and

¹¹ At the COREPER I on 25 May 2022, the Council Legal Service expressed reservations on the working title of the Belgian-Spanish initiative, noting in particular that the reference to a “procedure” would wrongly suggest that legal acts would be adopted.

exploring technical refinements of the JER methodology. Based on the findings of the pilot process, the WG delegates that saw a clear value added in the possible new framework underlined, among others, a more structured analysis of risks and challenges in the employment and social domains (with a deeper country-based perspective), the strengthening of the role of EPSCO, and a higher visibility of the social dimension (with a deeper link between the existing tools and the overarching objectives of the European Pillar of Social Rights), for which the importance has increased further in the context of the ongoing review of the EU economic governance framework and of the major transformations brought about by the green and digital transitions. A minority of WG delegates did not see the value added of the initiative and emphasised the downsides of the potential administrative burden (see 2.3), the lack of gains compared to the already existing monitoring tools, and a blurred relationship with the MIP. Some delegates indicated that the new initiative should take place in parallel with a streamlining of the existing monitoring tools (in this regard, a review of the tools had already started in the EMCO IG and SPC ISG).

2.2. Structure of the new framework and integration in the European Semester

From the start, it was envisaged to introduce a SIP in the European Semester via the employment policy coordination framework set out in Art. 148 TFEU, without the need for any specific legislation. A number of already existing products and instruments in the European Semester and within the activities of EMCO and SPC would be used, namely the *Joint Employment Report*, the *Country Reports* and *Country-Specific Recommendations (CSRs)*, and the *Social Scoreboard* as monitoring tool. According to the initial proposal by Belgium and Spain, the Commission would make a first screening of the Member States “at risk of social imbalances” in its *proposal for the Joint Employment Report*. To identify countries that face risks a deeper country-specific analysis would then be carried out for these countries by the Commission in dedicated “*social in-depth reviews*” to determine whether there are actual *challenges* to upward social convergence in the Union.

The following EMCO-SPC joint Opinion of June 2022 acknowledged that several Member States converged on defining the process on the basis of the above-mentioned products and instruments in the Semester context. In particular, there was broad support in the Committees on the Commission conducting a “first-stage analysis” on all EU Member States in its proposal for a JER, by using the findings of the Social Scoreboard as a basis. The Committees welcomed the possibility of the Commission producing reports for the “second-stage analysis” earlier than the Country Reports produced by the Commission services, in light of the later publication of the reports since the 2022 cycle, which would not allow them to feed the Committees’ multilateral surveillance activities under the new framework. Similarly, the identification of Member States requiring a deeper “second-stage analysis” also implied the need to identify criteria that could determine a triggering of such analysis on the basis of the Social Scoreboard results. There was consensus on the need to integrate with the new framework the multilateral surveillance activities of EMCO and SPC.

The Commission services’ proposal for a Social Convergence Framework, presented to the WG in November 2022 and February 2023, described how the framework could be designed in the context of the European Semester, in terms of both products and timeline. In particular, the Commission services’ paper suggested the following (see also Figure 1):

- i. First-stage analysis in the Commission’s proposal for a Joint Employment Report (published in November, as part of the Semester Autumn Package):

This first analysis would aim at *identifying “risks” to upward social convergence* by analysing the situation of all 27 Member States, based on the Social Scoreboard headline indicators, the existing JER traffic-light methodology and specific criteria on how to identify countries in need of a deeper second-stage analysis. The Commission would take these criteria into account and aggregate the information from the individual headline indicators of the Scoreboard into an initial evaluation assessment of *overall* potential risks to upward social convergence in each country. New JER sections would include the horizontal and country-specific results of the Commission’s analysis.

ii. Second-stage analysis on actual challenges to upward social convergence in new Commission services’ Staff Working Documents (*published by end-February*):

This second-stage analysis would aim at analysing more in depth, based on all available quantitative and qualitative evidence, whether those Member States identified in the first stage as facing potential risks actually faced overall challenges to upward social convergence. Such in-depth country-specific examination would be produced by the Commission services in the form of Staff Working Documents, e.g., “Social Convergence Reports (SCR)”, selectively for those Member States identified in the first-stage analysis as facing “risks”. The analysis would also factor in considerations related to absolute and relative trends in the indicators, progress on the 2030 national targets on employment, skills and poverty reduction, all JAF indicators as well as the secondary Scoreboard indicators proposed by the European Commission in the Pillar Action Plan. The policy action undertaken at national level would be considered in the analysis and contribute to shaping its conclusions. The documents would be factual, non-prescriptive, focussed on the policy areas identified for each country in the first-stage analysis as presenting risks to social convergence, and they would be complementary to the analysis in the Country Reports and the In-Depth Reviews (IDRs) under the MIP, while avoiding inconsistencies with the latter. The Commission would transmit the Social Convergence Reports for comments to the Member States concerned ahead of their publication.

iii. Integration with the multilateral surveillance activities of EMCO and SPC (*between March and April*):

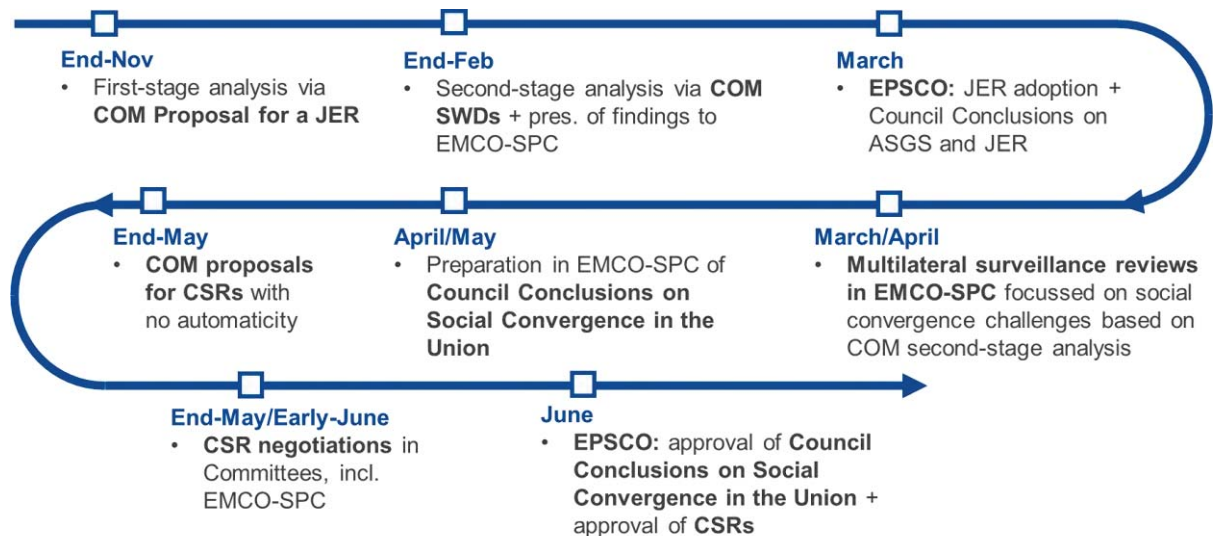
The existing multilateral surveillance activities of the EPSCO Committees – currently based on assessing the implementation of past Country-Specific Recommendations (CSRs) and key employment and social challenges identified in the EMCO and SPC’s monitoring tools – would be strengthened and further focused around the challenges to social convergence presented in the Commission services’ SWDs, while continuing to assess the implementation of the past year’s CSRs (see Section 3.3 for more details). Multilateral surveillance discussions under the new framework would foster a shared understanding among Commission services and the Member States of the challenges identified, as well as ownership of possible remedial actions.

iv. Adoption of new Council Conclusions on Social Convergence in the Union (*in June, alongside the approval of the new Country-Specific Recommendations*):

The country-specific conclusions of the multilateral surveillance activities under the new framework (including in relation to the CSR reviews) would provide input to the Commission’s reflection on CSR proposals (presented in May, as part of the Spring Package) without however implying any automaticity. They will also form the basis of new Council Conclusions to be adopted by the EPSCO Council in June, alongside the EMCO and SPC Opinion on the Semester and the approval of the employment and social elements of the new CSRs. The latter would also continue to be discussed in the relevant Committees as standard, including EMCO and SPC, at the end of May or early June, ahead of their approval in EPSCO, ECOFIN and GAC in June, the endorsement of the European Council, and the final adoption in ECOFIN in July.

The pilot discussions were supported by a series of “mock” documents prepared by the Commission services and by Secretariat notes. Overall, the WG appreciated the possibility to test – via fictitious but realistic examples, duly amended after each discussion according to the views expressed in the group – how the framework could be integrated in the European Semester via the *Commission’s proposal for a Joint Employment Report*, devoted Commission services’ *Staff Working Documents*, the *multilateral surveillance activities of EMCO and SPC* and the *legal texts of the Country-Specific Recommendations (CSRs)*. The detailed results of the pilot are described in Section 3.

Figure 1. Social Convergence Framework: process and timeline



2.3. Assessment of potential impact on administrative burden

Limiting the increase in administrative burden has been a pre-condition for several Member States since the onset of the discussions on the new framework. The aim of limiting any additional administrative burden was mentioned in the initial proposal by Belgium and Spain (notably suggesting to use existing tools and processes integrated in the European Semester) and in the mandate by the French Presidency. The initial discussions ahead of the June EPSCO did not dispel the concerns raised by some Member States in this regard, as also mentioned in the EMCO-SPC Opinion of June 2022.¹²

¹² According to the Opinion, “concerns were [...] raised about possible additional administrative burden a SIP may impose on Member States. These Member States call for further analysis and political guidance to

The two Commission services' position papers stressed that the new framework would not entail additional administrative burden. In particular, the first-stage analysis would be fully integrated in the Commission proposal for a JER, and as such would not entail additional burden for Member States. The second-stage analysis would be performed by Commission services for a limited number of countries identified in the first stage as experiencing potential risks. Hence, it would also not imply additional workload for those Member States, except for the consultation of the draft text ahead of its publication (as requested by most delegates). As concerns the multilateral surveillance activities, they would be further focused on the findings of the second-stage analysis under the new framework, complementing the traditional multilateral reviews on the implementation of the CSRs that would occur only for countries not subject to the second-stage analysis. According to a steering note by the WG Secretariat of 9 March 2023 (that also contained simulations on the approach based on information from the last Semester cycle), this would be achieved by reducing the country-specific reviews to be organised in any given year and without increasing the overall number of meetings, hence providing an opportunity to streamline the approach to multilateral surveillance rather than making it more cumbersome.

While there was consensus that the potential impact on administrative burden related to the framework would be negligible or acceptable, some delegates voiced concerns in the discussion of 29 March 2023. In particular, a minority of delegates indicated that introducing a new framework in the Semester would cause an increase in administrative burden *per se*, which would not be compensated by a significant value added compared to the *status quo*. The second-stage analysis, the revised multilateral surveillance process and the discussion of additional Council Conclusions were indicated as main potential sources of administrative burden.

determine whether the benefits of introducing a SIP would outweigh the costs of possible additional administrative requirements”.

Section 3 – The new framework step by step

3.1. First-stage analysis – Commission’s proposal for a Joint Employment Report

In October 2022, the WG confirmed the broad consensus on using already existing tools and introducing only limited methodological novelties to aggregate signals from single indicators into overall conclusions on potential social convergence risks for the countries. Delegates agreed to use the full set of Social Scoreboard headline indicators in the first stage of the possible new framework.¹³ This set of indicators and the traffic-light methodology applied to them in the JER could be used to properly provide indications on potential risks to upward social convergence across Member States and policy areas covered by the European Pillar of Social Rights (EPSR). The EMCO-SPC Opinion to the 16 June EPSCO had already provided preliminary indications in this respect. In particular, Member States tended to support a methodology based on “(a) both the levels and changes of all the indicators that would be part of a SIP; (b) a relative benchmark (such as comparing results to a reference based on the EU average, rather than comparing to an absolute reference); and (c) all agreed indicators weighted equally”. Delegates also indicated that the first stage of the analysis “could examine if there is a potential risk based on an assessment of the scores of the Social Scoreboard, while in a second stage additional data and qualitative information would be taken into account to confirm whether there is actually an imbalance”.¹⁴

Over November-December 2022, the WG discussed possible criteria and (anonymized) simulations to identify countries for the second-stage analysis; in January 2023 the simulations remaining on the table were de-anonymised for the 22 countries that agreed to it.¹⁵ The sub-section below provides a summary of the main options that were discussed in the Group, as refined/selected following various rounds of meetings and feedback by the delegates. Finally, attention was focussed on the selection of possible criteria (i.e., indicators to be used and categories of the JER methodology applied to the Social Scoreboard headline indicators to be considered to pass to the second-stage deeper analysis) that gathered most support, which led to a final compromise on the preferred approach. In particular, there was a relatively high degree of convergence on how to treat possible missing values and potential correlations among the Scoreboard headline indicators.

3.1.1. Suggested methodological approach for selecting in the first-stage analysis the countries that require deeper examination

Since October 2022, the exchanges of views in the WG were supported by technical notes with simulations showing the outcomes of the different possible criteria for identifying countries for the second stage. In its December meeting, the group expressed a

¹³ As indicated in the June 2022 Opinion to EPSCO, “Should a SIP be introduced, Member States in IG and ISG would tend to support a pragmatic and manageable approach, by initially using the full set of the Social Scoreboard headline indicators and reassessing this choice later on. The timeliness of the Social Scoreboard headline indicators is generally deemed adequate for an initial screening of social imbalances, as data delays are not generally worse than in other domains and in light of the strong improvements under way regarding the availability of EU-SILC data” (Paragraph 12).

¹⁴ The Opinion was relying on the initial terminology of the Belgo-Spanish initiative.

¹⁵ As agreed with the respective national delegates, de-anonymised results were presented in the Secretariat note of 26 January 2023 for 22 countries: AT*, BE, CY*, CZ, DE, DK*, EE, EL, ES, FI, FR, HR, IE, IT, LU, LV, NL, PL, PT, SE*, SI and SK. (the asterisk indicates countries that do not participate in the WG).

strong interest in discussing as many simulated scenarios with alternative criteria as possible, as part of the pilot about to start, which led to a total of seven (de-anonymized) scenarios presented to the 26 January WG meeting, building on previous exchanges and preferences expressed by the WG delegates. To provide a full account of the methodological discussions held in the group, this section presents summary results for all those seven scenarios, alongside the one that represented the final compromise chosen by the group.¹⁶ For all scenarios, the various years (e.g. 2021, 2022, etc.) refer to the results of the Social Scoreboard as contained in the corresponding editions of the Joint Employment Report.

Approach relying on the number of Social Scoreboard headline indicators flashing in the given year

Scenario 1 starts with a simple approach taking into account only the scores of the Social Scoreboard headline indicators in the given year. It identified countries for the second-stage deeper analysis based on the total number of Social Scoreboard headline indicators flagging ‘critical’ (category 1) or ‘to watch’ situations (category 2). Consensus had already been reached in January among delegates that ‘weak but improving’ (category 3) situations (see Table 1) should not be counted in view of deciding what countries required a deeper analysis. The total number of indicators flagging challenges (in the sense just specified, as red/orange flags) was compared to a threshold set at 6 headline indicators flagging out of the total (16) for 2022 (corresponding to around 37% of the whole), above which the extent of the criticalities identified would lead to the country requiring a second-stage deeper analysis. A Member State would be included in a so called ‘category 1-2’ of countries put forward for further analysis if it presented a number of red and/or orange flags equal to or greater than this threshold (see Figure 2 for outcomes simulated over various JER editions). The strength of this approach is its simplicity, while its weakness is the lack of attention to developments over time, considered important by many to properly identify social convergence risks.

Table 1 – Categories under the agreed JER traffic-light methodology

Social Scoreboard classification	Value
Critical situations	1
To watch	2
Weak but improving	3
Good but to monitor	4
On average	5
Better than average	6
Best performers	7

Multiannual approaches including the consideration of deteriorations and/or stagnations in JER categorisations over time

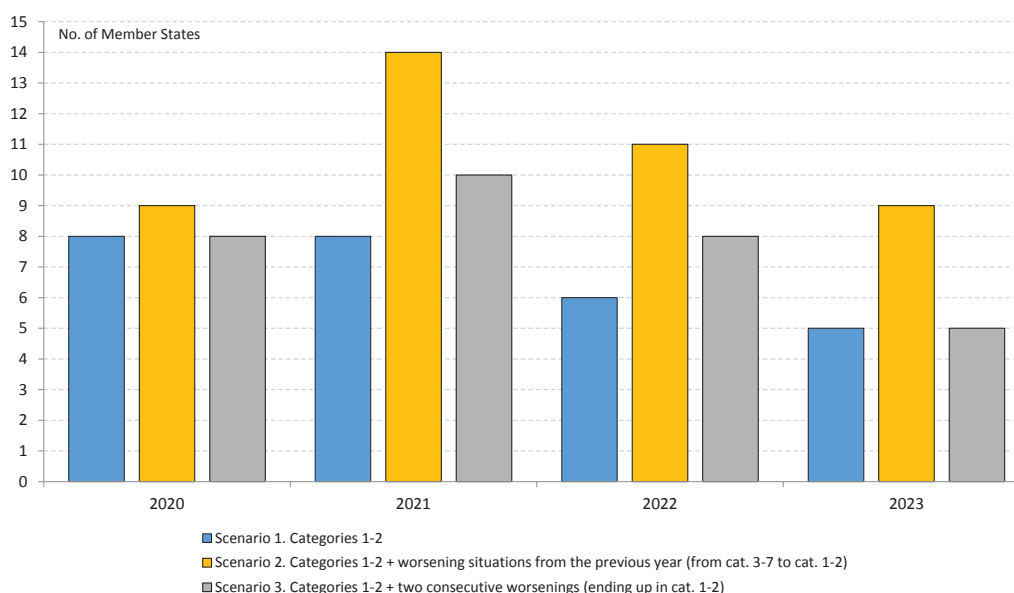
The multiannual dimension of risks to social convergence appeared as a key element of the reflection process. This led to the definition of criteria additionally looking at deteriorations and/or stagnations in JER categorisations over time in order to identify countries for the second-stage analysis. This dynamic approach was found by many more

¹⁶ In what follows, the numbers assigned to the scenarios have been readjusted to facilitate the reading of the report in a progressive way. The numbers do not therefore necessarily correspond with those used in the original Secretariat notes.

consistent with the need to identify trends that would put social convergence at risk over a longer period of time.

Against this background, a more elaborated **Scenario 2** was designed that devoted attention to deteriorations in JER categorisations compared to the previous year leading to ‘critical’ or ‘to watch’ situations in the year under examination. This Scenario 2 expanded the baseline Scenario 1 by simply adding a flag (i.e., additional count) for indicators flashing ‘critical’ (category 1), or ‘to watch’ situations (category 2) that had additionally experienced a deterioration in JER category compared to the previous year. If 2022 was the reference year, for instance, a double counting would be done for each of the Social Scoreboard headline indicators under categories 1 and 2 that saw a worsened categorization (from JER categories 4 to 7) compared to 2021. Figure 2 presents, for various JER editions, simulation results in terms of number of countries potentially flagging for a deeper analysis compared to baseline scenario 1.

Figure 2. Number of countries that require a second-stage analysis with a threshold of 6 Social Scoreboard headline indicators flagging, for the baseline scenario and for scenarios additionally looking at deteriorations in JER categorisations over time



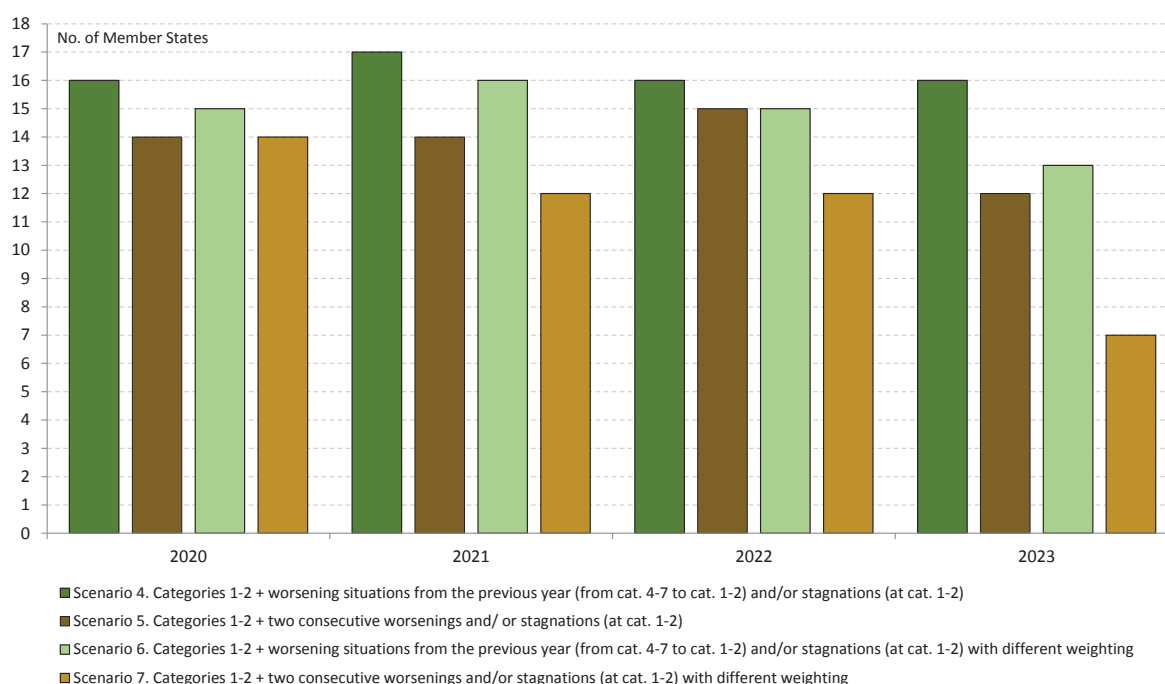
Note: Threshold defined as the minimum number of indicators flagging ‘critical’ (category 1), or ‘to watch’ (category 2) per country and year (plus additional flags in relation to deteriorations in JER categorisations over time for scenarios 2 and 3). The numerical value for the threshold is set at 6 indicators out of the total of 16 Social Scoreboard headline indicators available in 2022 (around 37% of the total number of indicators). This threshold has been rescaled for the previous years to account for the changes in the number of Social Scoreboard headline indicators and make the results comparable over time. The years in the chart refer to the respective JER editions.

Alternative scenarios were simulated for a multiannual dimension spanning over a longer time horizon. In particular, **Scenario 3** was designed by enhancing baseline scenario 1 with a double counting (i.e., +1 flag) for all the indicators flashing ‘critical’ or ‘to watch’ situations (i.e., under categories 1 or 2) in the given year that also showed a worsening JER categorisation over the previous two years (i.e., over a 3-year time frame given the way the JER methodology is defined, looking each year also at trends compared to the previous year). For example, a case of a worsening of a given indicator from JER category 5 (‘on average’) in 2020 to 2 (‘to watch’) in 2021 and then a further lowering to a JER score of 1 (‘critical situation’) in 2022 would be double counted in this scenario (see Figure 2 for simulated

outcomes over various JER editions). This would be consistent with an approach whereby countries should be identified for deeper analysis that, despite having fewer indicators flagging challenging situations, had displayed deteriorations over a longer period. An early identification of diverging trends on fewer dimensions may indeed help prevent a widening of challenges to other dimensions at a later stage.

Additional scenarios were also considered, in which stagnations in JER categorisations from the previous year or over the previous 2 years were considered as an aggravating factor alongside deteriorations. Scenarios 4 and 5 enhanced the baseline with a double counting for the indicators flashing ‘critical’ or ‘to watch’ situations (categories 1-2) that also showed deteriorations or stagnations in their JER categorisation compared to the previous year or over the previous two years respectively. Scenarios 6 and 7 correspond to the ones just defined but applying a lower weight to stagnations (+0.5) compared to deteriorations (+1), rather than equal weighing. Figure 3 presents results in terms of number of countries potentially flagged for a deeper analysis for all these additional scenarios, over different JER editions. Table 2 summarises the main characteristics of the simulation scenarios presented above.

Figure 3. Number of countries qualifying for a second-stage analysis with a threshold of 6 indicators flagging, with both deteriorations and stagnations in JER categorisations considered (either from the previous year or over two consecutive years)



Note: Threshold defined as the minimum number of indicators flagging ‘critical’ (category 1), or ‘to watch’ (category 2) per country and year, plus additional flags (with equal or different weighting) in relation to deteriorations and/or stagnations in JER categorizations over time, and more precisely from the previous JER year (for scenarios 4 and 6) or two consecutive JER years (for scenarios 5 and 7). Scenarios 4 and 5 apply an addition flag (+1) for those cases where the respective indicators have been deteriorating or stagnating over time, while Scenarios 6 and 7 apply a lower weight (+0.5) for stagnations in JER categorisations over time compared to deteriorations (+1). The threshold is set at 6 indicators out of the total of 16 Social Scoreboard headline indicators available in 2022 (around 37% of the total number of indicators). This threshold has been rescaled for the previous years to account for the changes in the number of Social Scoreboard headline indicators. The years in the chart refer to the respective JER editions.

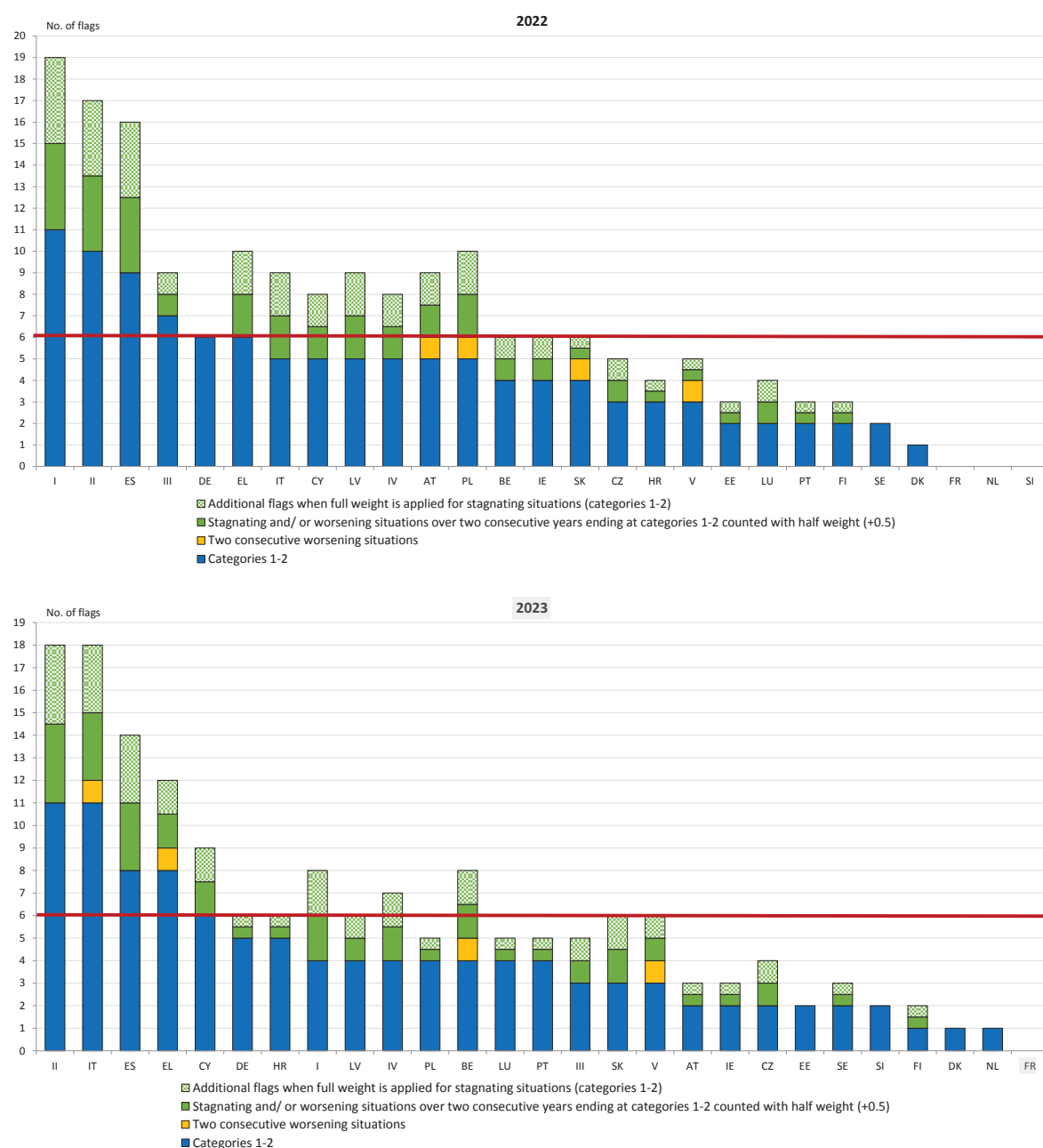
Table 2 – Definition of simulation scenarios¹⁷

<u>Scenarios</u>	<u>Definition</u>
Scenario 1	Baseline scenario. Counts the number of Social Scoreboard headline indicators flagging ‘critical’ (cat. 1) and ‘to watch’ (cat. 2), compared to the pre-set threshold in the reference year (i.e., 6 flags in 2022-23).
Scenario 2	Scenario 1 + double counting of indicators that display a worsening in JER categorisations compared to the previous year (ending up in categories 1 or 2 only).
Scenario 3	Scenario 1 + double counting (+1) of indicators that display a worsening in the JER categorisations over two consecutive years (ending up in categories 1 or 2 only).
Scenario 4	Scenario 1 + double counting (+1) of indicators that display a worsening or a stagnation in JER categorisations compared to the previous year (ending up in categories 1 or 2 only).
Scenario 5	Scenario 1 + double counting (+1) of indicators that display a worsening or a stagnation in JER categorisations over two consecutive years (ending up in categories 1 or 2 only).
Scenario 6	Scenario 1 + double counting (+1) of indicators that display a worsening and half extra counting (+0.5) of indicators that display stagnations in JER categorisations compared to the previous year (ending up in categories 1 or 2 only).
Scenario 7	Scenario 1 + double counting (+1) of indicators that display a worsening and half extra counting (+0.5) of indicators that display stagnations in JER categorisations over two consecutive years (ending up in categories 1 or 2 only).

Summary results per country were presented to the WG for a specific year (2022) across the various scenarios for all the 22 Member States that accepted to have them displayed. Figure 4 presents the counting of flags obtained under the different criteria for the scenarios described above that consider a 3-year time frame, against the set threshold (of 6 counts) in 2022. The charts allow seeing which Member States would potentially qualify for a second-stage deeper analysis. Additional qualitative and further quantitative considerations would also be needed to appropriately interpret the indicator values and properly assess the need for further analysis. In the charts below the blue bar represents the number of flags per country in 2022 in the baseline Scenario 1. The yellow bar represents the extra flags under Scenario 3. Added together, the yellow and green bars give the total number of additional flags per country following the worsening situations or stagnations in JER categorisations under Scenario 7 relative to Scenario 1 (adding on top the green shaded bars gives the additional flags under Scenario 5).

¹⁷ The numbering of the scenarios has been adapted compared to that in the Secretariat notes to the different WG meetings with the aim of facilitating the reading, simplifying, and fostering effective communication.

Figure 4. Number of Member States potentially qualifying for a second-step deeper analysis with a threshold of 6 indicators flagging challenges, analysis for 2022 and 2023



Note: Threshold defined as the minimum number of Social Scoreboard headline indicators flagging ‘critical’ (category 1) and ‘to watch’ (category 2) out of the total no. of Social Scoreboard headline indicators per country and year. Countries that do not wish to be named in the simulations are represented with Latin numerals.

The WG additionally discussed an alternative proposal by Slovenia (circulated to the WG on 9 February), which factored in negative trends in both relative (i.e., compared to the EU average) and absolute terms. In particular, the methodology indicated two necessary conditions to determine whether a Member State would qualify for the second-stage analysis: (i.) A headline indicator, based on the Scoreboard methodology, is flagged two years in a row as “critical”, “to watch”, or a mix of the two categories (*relative condition*); (ii.) For those indicators fulfilling the relative condition, their absolute performance – estimated as the 3-year average change of the indicator – should be worsening (*absolute condition*). While the relative condition (i) was in line with the spirit of other scenarios, the absolute condition (ii) was an important novelty. The Slovenian methodology also did not envisage a formal threshold, meaning that every Member State that would fulfil both criteria for at least one Scoreboard headline indicator would qualify for the second-stage analysis. Accordingly, while the idea of factoring in absolute trends was found interesting by the WG delegates, the Slovenian proposal would have led to the identification of many Member States for the second-stage analysis, even if only for 1 or 2 flagging indicators, which would have posed risks of administrative burden. There was wide support for also analysing absolute trends in the context of the second-stage analysis.

Finally, Scenario 3 was chosen after discussions in the WG, which considers ‘critical’ and ‘to watch’ situations in the given year, with deteriorations in JER categorisations over the previous two years counted as an aggravating factor. This emerged as the compromise between a group of delegates that favoured a multiannual approach, taking into account both deteriorations and stagnations over time, and another group that continued to favour the simple baseline scenario, focussing only on JER categorisations in a given year. As most delegates in the two groups expressed readiness to compromise on Scenario 3, the Chair concluded that the latter was the option gathering the greatest consensus in the group to select countries for the second-stage analysis.

The methodological discussions in the WG also touched upon the potential impact that the occurrence of missing data could have on the identification of countries for the second-stage analysis. With the proposal for a JER published in November each year, it is not uncommon that some Social Scoreboard headline indicator values are missing for some Member States. This affects to a larger extent the EU-SILC survey data that is typically released at a later date and integrated in the revised version of the JER for adoption in the March EPSCO Council. As Eurostat plans to advance the publication of EU-SILC-based indicators from October to June, the occurrence of missing values in the JER proposal should nonetheless be more limited starting from 2023.

In case of missing data, among the different options discussed in the group, preference was expressed by delegates for using the most recent data available.¹⁸ This option was found to offer the benefit of ensuring a complete analysis for all Member States, although with the caveat of imperfect time comparability across indicators. Some WG members suggested that in these cases further exploration in the second-stage deeper analysis was warranted.

¹⁸ The two other options presented to the group were: i) rescaling the thresholds to the number of available indicators for countries presenting missing values; ii) applying extrapolation techniques to replace missing data.

Finally, the WG discussed the issue of potential interlinks and correlations between Social Scoreboard headline indicators and considered that this should be taken into account in the interpretation of the quantitative results. Negative performance on closely correlated indicators may lead to a Member State scoring above the threshold and being identified for the second-stage analysis, even in presence of criticalities concentrated in fewer domains. Some members of the WG expressed a preference for avoiding a rule-based criterion to deal with potential correlations between Social Scoreboard indicators and rather analyse them on a country-by-country basis by properly interpreting the quantitative evidence in the second-stage analysis. Presenting the number of indicators flagging by macro-areas of the European Pillar of Social Rights (i.e., equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion) was also found useful as complementary information by the group, in order to assess how criticalities would span over the different policy areas.

3.1.2. Structure of the first-stage analysis in the Commission's proposal for a JER

The idea to include the first-stage analysis by the Commission services under the SCF in the Commission proposal for a JER was widely supported in the WG. The work programme of the group recalled the broad support of EMCO and SPC in this respect in their June 2022 Opinion to EPSCO. The Commission services' position paper presented to the WG meeting of 8 November 2022 reiterated that *"the Commission's proposal for the Joint Employment Report could contain (as of the 2024 Semester cycle) a section comprising the identification of risks to social convergence for the Member States"*, which was supported by the group. A section in the JER was proposed to deliver an *"initial screening [that] could provide a first indication of potential risks to social convergence, both overall and for specific countries"*.

The new section of the JER would in this light provide horizontal analysis on potential risks to upward social convergence in the Union, as well as short sections for all 27 Member States, detailing the situation on a country basis and concluding whether the country in question was found to experience potential risks to upward social convergence. As detailed in the mock produced by the Commission services, key findings would be presented on labour market, skills and social developments in relation to potential risks to upward social convergence. These would follow a first part in the new section briefly introducing the SCF, recalling the steps that led to its establishment, its key features and relation to the monitoring of the implementation of the European Pillar of Social Rights and the 2030 targets. The discussion would be firmly based on the interpretation of the Social Scoreboard headline indicators using the JER traffic-light methodology. The new section would also feature a comprehensive table showing most recent values and trends for all headline indicators in the EU, as well as the distribution of categorisations (according to the JER methodology) across Member States (see Figure I.1 and Table I.1 in Annex I, respectively). The analysis would conclude with the indication of the countries that would undergo a second-stage deeper analysis, to be presented by the Commission services in Staff Working Documents in February, on the basis of the findings in this first stage. These conclusions would be further detailed by country-specific findings in the devoted short country sections (two thirds of a page/1 page) for all 27 Member States to be also included in the report. Mocks were produced and presented to the group by the Commission services for Spain and Finland, which volunteered for this simulation exercise within the WG, with (mock) conclusions on a second-stage analysis for the former and not for the latter backed by

the country-specific analysis. Results of the country analyses for all Social Scoreboard headline indicators would be additionally presented in tabular format for all Member States, in Annex to the Commission proposal for a JER (see Table I.1 in Annex I). It was agreed in the group that a methodological Annex would also be added to the report to explain in detail the approach on which the SCF is based, as agreed in the Committees.

The wording used in the country sections would be made fully consistent when indicating same situations for different Member States, while at the same time allowing for a country-specific narrative depending on what challenges the indicators flag. As discussed and agreed in the WG, the country sections would also all consistently conclude by saying that “[Member State X] is identified as facing potential risks to upward social convergence that require further examination in the second-stage deeper analysis” or alternatively that “[Member State X] does not appear to face potential risks to upward social convergence and will therefore not require further examination in the second-stage deeper analysis”. The wording in these new sections of the report would be fully aligned to the consensus reached in the WG on monitoring “upward social convergence” as being the objective of the new framework.

3.2. Second-stage analysis – Commission services’ Staff Working Documents (Social Convergence Reports)

The WG discussed a mock Staff Working Document (SWD), which could be labelled Social Convergence Report, presenting the simulated findings of the second-stage deeper analysis for one country as prepared by the Commission services.¹⁹ The mock for Spain served to illustrate and discuss the content and approach that these country-specific documents could take in the context of the new framework. The group exchanged views on the mock SWD, which served to produce an updated SWD for further discussion and agreement in the group. Assuming an agreement on the Social Convergence Framework, there was a broad consensus that in the future such new Commission services’ SWDs would be sent for comments to Member States before their publication in February, as per standard practice on country-specific documents in the Semester (i.e., Country Reports). In what follows, the analytical approach and structure of these documents as discussed in the group is detailed.

The SWDs would provide a deeper economic analysis of the challenges and relevant policy actions, based on all available quantitative and qualitative information, exclusively for the countries and the policy areas (labour market and/or skills and/or social) found to present potential risks to social convergence in the first-stage analysis of the Commission proposal for a JER. The length of the SWDs (expected between a minimum of 8 pages and a maximum of 12) would be modulated on a fully country-specific basis, depending on the country-specific challenges identified in the first stage. Also, its sections would vary depending on the country-specific situation, meaning that not all countries that need a second-stage examination would have by default all three proposed sections that are covered in the mock for Spain; i.e., on the labour market, skills, and social protection and social inclusion. The documents would contain only those policy areas that are

¹⁹ As of January 2022, the following 11 Member States had given their availability to be analysed in the second-stage analysis: BE, CZ, DE, EE, ES, FI, FR, LU, MT, PL, PT. Spain was proposed as a candidate for the SWD mock as being one of the proponents of the new framework, expressing consent to be named and presenting challenges in a number of employment and social indicators.

identified as in need of further examination for the specific country in the first stage, with the understanding that relevant inter-linkages with other policy areas would also be discussed (see below). Each of the sections would always contain two subsections on the “assessment of the state of play and developments on social convergence risks” and of the “relevant policy actions”. In particular, policy measures put in place, legislated or announced by the national authorities to address the challenges in question would receive full attention and examination, as would all policy measures taken to address possibly relevant Country-Specific Recommendations. Finally, the SWDs may include, where relevant, thematic box(es) with focused analysis on a particular challenge for the country that requires deeper analysis, on top of the more synthetic discussion in the body of the SWD.

The second-stage analysis in the SWDs would incorporate a wide range of quantitative and qualitative evidence, on top of the Social Scoreboard headline indicators used in the first stage, also giving attention to progress on the 2030 national targets and to absolute trends more generally. There was a large consensus in the group on paying due attention to absolute changes (as pointed out by Slovenia), on top of relative ones as captured by the JER methodology – this was supported as part of this second-stage deeper analysis in the SWDs. The documents would look at all available indicators (e.g. from the Joint Assessment Framework, as well as the secondary Scoreboard indicators proposed by the European Commission in the Pillar Action Plan) in order to better analyse the challenges identified in the first-stage analysis including all relevant breakdowns for different population groups and sectors and regions that are relevant to better understand the challenges at stake. Interlinkages between challenges flagged by the indicators should be examined in order to have a thorough understanding of labour market and social conditions in the country (for instance, how employment challenges are inter-connected to each other, or how they feed into poverty and social exclusion challenges in the country; also, how skills challenges affect employability and skills and labour shortages). The narrative would also make a strong link between challenges and policy responses for those policy areas having led to the identification of risks in the first stage. Qualitative evidence would also be included, whenever available and useful. Comments gathered from national authorities ahead of the publication of the SWDs may also usefully point at available evidence from national sources, where no harmonized statistics available, for inclusion in the reports.

All SWDs would have a final section that summarises findings and provides an indication on whether the country is found to experience challenges that may affect social convergence, based on the analysis run and taking into account the enacted policy response. This last section would again use consistent language across Member States to describe analogous situations, concluding on actual challenges to upward social convergence or not, from the potential risks identified in the first stage. It would summarise the key elements that underpin the conclusion, in terms of criticalities identified as well as assessment of the policy measures implemented or planned to address them.

3.3. Multilateral Surveillance – Role of the Employment Committee and the Social Protection Committee

Following the two-stage analysis by the Commission services, Member States would discuss the findings in a multilateral setting. Both the June 2022 EMCO-SPC Opinion and the Commission services’ position papers presented to the WG referred to the integration of

the new framework with the multilateral surveillance activities of EMCO and SPC.²⁰ The Commission services' papers proposed to further focus the Committees' multilateral surveillance activities on the challenges identified under the new Social Convergence Framework to foster a shared understanding of challenges and increase Member States' ownership of possible remedial actions. The EMCO-SPC Opinion acknowledged the benefits of assessing challenges to social convergence also in light of the implementation of past CSRs.

Box 2 – Background on the multilateral surveillance activities of the EPSCO Committees

In the context of the European Semester, the yearly multilateral surveillance activities of EMCO and SPC aim to monitor the implementation of labour market, skills, and social policies in the Member States, in accordance with the Treaty on the Functioning of the European Union (TFEU) and the relevant mandates to the Committees.²¹ Traditionally, the core of such activities is represented by a series of country-specific reviews in the first half of the year to assess in a multilateral context progress on the implementation of the CSRs issued by the Council in previous Semester cycles.²²

When appropriate, each Committee has adapted its approach to its respective surveillance activities to account for changes in the Semester. In recent years, the design of the exercise was influenced in particular by the COVID-19 pandemic (in 2020) and the related introduction (in 2021) and integration (since 2022) of the Recovery and Resilience Facility (RRF) in the Semester context. Table 3 below provides an overview of the number of meetings and country-specific reviews scheduled in the last four years in EMCO and SPC, and more detailed indications on their design are in the notes to the table.

In their Horizontal Opinion on the 2022 European Semester, the EPSCO Committees took note that “the number of CSRs in the areas under EPSCO competence is more limited than in past Semester cycles” and in this light also relied on the broader findings of the Committees’ monitoring tools in order to comply with the Treaty mandate. EMCO and SPC acknowledged that this was due to the comprehensive reforms and investments included by the Member States in their Recovery and Resilience Plans (RRPs), which led to the Commission proposing in 2022 CSRs on a limited number of challenges not sufficiently covered in the national plans. The new parsimonious approach is set to continue also in 2023, while the RRP include milestones and targets to be fulfilled by 2026.

²⁰ Multilateral Surveillance Reviews (MLS) in EMCO and Multilateral Implementation Reviews (MIRs) in SPC.

²¹ For EMCO, the exercise is based on Art. 148 and 150 TFEU, while for SPC it is based on Art. 160 TFEU. The EU Regulation 1175/2011 (amending 1466/1997) identifies EMCO and SPC among the relevant committees to be involved in the European Semester process according to their respective competences. The two Council Decisions establishing the Committees (2015/772, repealing 2000/98 for EMCO; and 2015/773, repealing 2004/689 for SPC) also gave them a mandate to contribute to all aspects of the European Semester in their respective domains.

²² In EMCO, the multilateral surveillance activities comprise three strands: (i.) the “CSR reviews”, based on past CSRs and, in certain years, findings identified by the Committee’s monitoring tools; (ii.) the “thematic reviews”, based on the Council Recommendations adopted by the EPSCO Council and addressed to all Member States; and (iii.) the “Social Dialogue review”, based on the provisions of Employment Guideline 7. In SPC, in addition to the “CSR reviews”, the implementation of Council Recommendations is often discussed on the basis of *ad hoc* arrangements (e.g. discussion of national plans).

Table 3 – Overview of number of country-specific reviews in EMCO and SPC, 2020-2023

	EMCO		SPC	
	Reviews	Meetings	Reviews	Meetings
2020	58	5	54	4
2021	70	4	56	5
2022	57	4	30	5
2023	43	4	31	5

Notes:

- In 2020, the Committees assessed the implementation of the 2019 CSRs only, mostly via written procedure due to the COVID-19 pandemic. In this year, the column ‘meetings’ refers to those that were scheduled in the original planning;
- In 2021, the Committees agreed to review the implementation of the 2020 CSRs (focused on the COVID-19 pandemic) complemented by a subset of relevant 2019 CSRs (referring to more structural still relevant issues);
- In 2022, the previous year’s approach was confirmed but amended to reduce the number of reviews and account for the absence of CSRs in 2021: while EMCO used its monitoring tools to assess the relevance of 2020 and 2019 CSRs and identify possible ‘emerging challenges’ not captured by past recommendations, SPC asked Member States to ‘opt-in’ to be reviewed and strengthened the reviews with more in-depth thematic discussions on the policy areas;
- In 2023, following the return to a regular but more streamlined Semester, SPC resumed the traditional approach of assessing only the latest set of CSRs (i.e. those issued in 2022), while EMCO opted for adding to the new 2022 CSRs some complementary challenges identified on the basis of its monitoring tools and the progress achieved on the implementation of the 2019-2020 CSRs;
- To provide an accurate overview of the workload sustained by each Committee, in each year the table includes twice the joint reviews discussed together by EMCO and SPC on issues of common interest (for example, in 2022 there were 10 reviews organised jointly: these are included both within the 57 reviews discussed by EMCO and the 30 discussed by SPC). The “thematic reviews” on Council Recommendations and the annual “Social Dialogue review” are excluded from the calculations.

3.3.1. Suggested criteria for the integration of the discussions on findings under the SCF with the Committees’ multilateral surveillance activities

Based on a Secretariat’s proposal, the WG preliminary agreed on a series of criteria aimed at ensuring a smooth integration of the Social Convergence Framework with the Committees’ multilateral review activities. As recalled in Section 2.3, some Member States expressed concerns for a potential increase in workload along the discussions on the possibly new framework and called for a reflection on how such integration could be ensured without additional administrative burden. Accordingly, the group discussed and looked favourably at the following criteria regarding the organisation of the multilateral discussions:

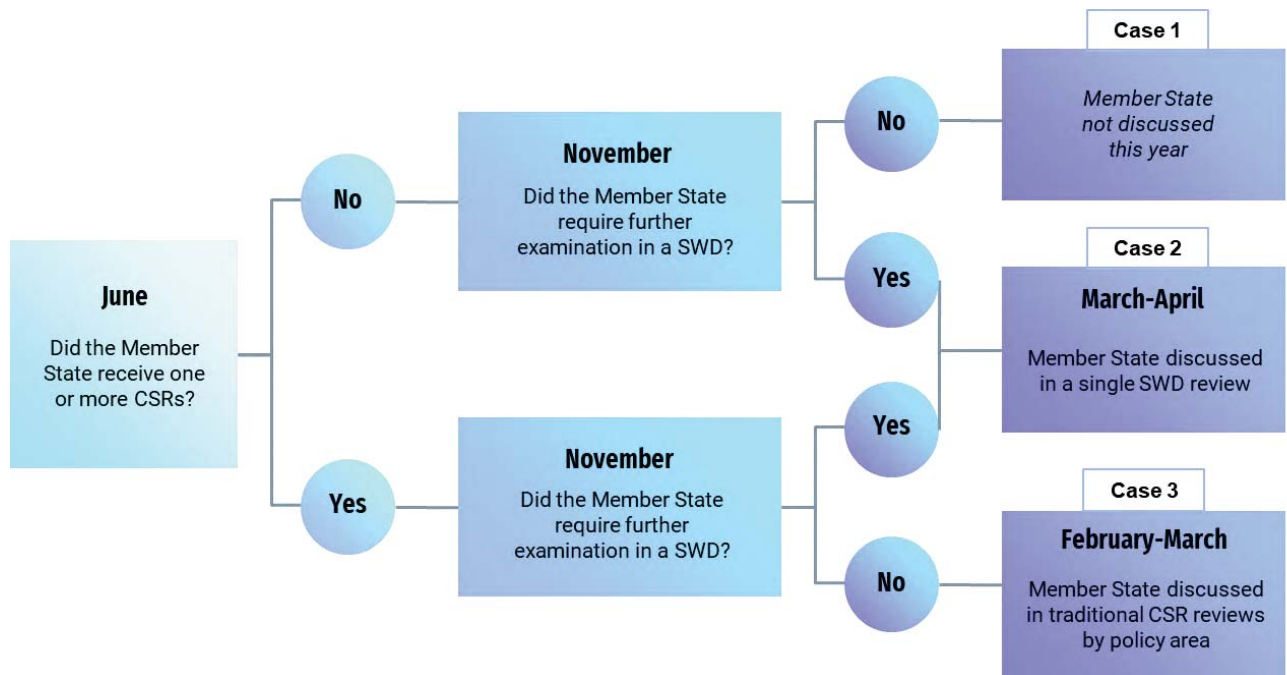
- The **traditional “CSR reviews”** would be scheduled first and organised only around the latest set of CSRs adopted by the Council in the previous Semester cycle, thus without considering older recommendations nor other challenges from the Committees’ monitoring tools. They would continue to follow a “policy-based” approach, with CSRs grouped by policy area, complemented by thematic discussions and relevant case studies, and Member States potentially discussed more than once if they received multiple CSRs;
- **New “Social Convergence Reviews”** under the new framework would be scheduled after the CSR reviews, and in a single EMCO-SPC meeting²³ fully dedicated to

²³ This could be organised over 1 or 2 days, depending on the total number of Member States for which SWDs were prepared.

reviewing the challenges of the countries that would be subject to the deeper second-stage analysis in Commission services' SWDs.²⁴ They would follow a “country-based” approach, discussing each country one-by-one on the whole analysis on challenges to upward social convergence as included in the SWDs;

- If a SWD under the new framework was produced for a Member State that also received a CSR in the previous Semester cycle, the Member State in question would be discussed **only once** in its “Social Convergence Review”;
- The **latest set of CSRs and the subsequent SWDs would therefore represent the starting points of the multilateral surveillance work** in the EPSCO Committees and would determine the annual calendar of the reviews (see Figure 5).

Figure 5. Flowchart on the basis of the proposed general principles



3.3.2. Possible expected calendar for the reviews

The calendar of the multilateral reviews would be made available every year in January with an indication of the number of meetings and the Member States that would be discussed, on the basis of the previous year’s CSRs and the results of the Commission first-stage. Table 4 shows how the calendar of the multilateral surveillance activities of EMCO and SPC that would have been designed if the new framework was implemented already in the 2023 European Semester cycle.

The aforementioned Secretariat’s proposal was accompanied by a series of detailed simulations aimed at showing the possible impact of the proposed approach on the workload of the Committees. Overall, the simulations showed that, if implemented according to the proposed principles, the integration of a Social Convergence Framework with the multilateral surveillance activities of EMCO and SPC would not increase the number

²⁴ While the process will be conducted within the EPSCO filière, in case prominent education or health-related challenges are included in the Commission’s SWD, the delegates will be able to invite relevant national experts.

of meetings or country-specific discussions compared to recent years. On the contrary, it might provide the opportunity to streamline and stabilise the approach and even decrease the overall number of country-specific reviews (see Table 5). Of course, the precise actual calendar of the reviews in EMCO and SPC would depend on three factors based on the detailed approach: (i.) the number of Member States being identified for the second-stage analysis under the SCF, thus having a SWD produced in February; (ii.) the number of CSRs issued in the previous Semester cycle; and (iii.) the extent to which the two would overlap.

Table 4 - Simulated 2023 multilateral surveillance activities

Period	Activity
June 2022	The Council adopted the 2022 CSRs, with the following 21 Member States receiving at least one related to the EPSCO competences: <ul style="list-style-type: none"> ▪ AT, BE, CZ, DE, DK, EE, EL, ES, FI, FR, HU, IE, IT, LV, LT, LU, NL, PL, PT, SK, SI.
November 2022	Based on <u>Scenario 3</u> ²⁵ , the first-stage analysis included in the 2023 JER proposal would have indicated 5 Member States for the second-stage analysis: CY, EL, ES, IT and Country X ²⁶ . Out of these: <ul style="list-style-type: none"> ▪ EL, ES, IT also received a CSR in 2022; ▪ CY and Country X did not receive a CSR in 2022.
January 2023	Based on the 2022 CSRs and the first-stage analysis in the 2023 JER proposal, the EMCO and SPC Secretariats would have circulated the calendar of the 2023 multilateral surveillance activities.
February 2023	The Commission would have published the second-stage analysis with 5 SWDs (on CY, EL, ES, IT and Country X).
March-April 2023	The country-specific reviews would have been conducted as follows: <ul style="list-style-type: none"> ▪ Series of separate EMCO and SPC meetings, and one joint EMCO-SPC meeting if needed: <ul style="list-style-type: none"> ➤ Policy-based approach for the Member States with a CSR in 2022, but not a SWD in the SCF. ▪ Joint EMCO-SPC meeting: <ul style="list-style-type: none"> ➤ Country-based approach for the 5 Member States analysed in a SWD under the SCF.
May 2023	The conclusions of the reviews would have been included into the <i>Horizontal Opinion on the European Semester</i> (as per standard practice) or alternatively, pending an agreement on the proposal, into <i>Council Conclusions on Social Convergence in the Union</i> .
June 2023	At the June EPSCO meeting, the Council would have endorsed the <i>Horizontal Opinion</i> and/or approved the <i>Council Conclusions on Social Convergence in the Union</i> , alongside the traditional approval of the 2023 CSRs.

²⁵ The scenario was labelled “2A” at the time of the discussions in the Working Group. The label “Scenario 3” follows the new order as described in Section 3.1.

²⁶ “Country X” refers to a Member State which did not give its consent to be named in the simulations prepared for the Working Group.

Table 5 - Organisation of the 2023 country-specific reviews and comparison with the approach proposed to integrate the discussions under the new framework

Topic of meeting	2023 (real arrangements used, with 2019-2022 CSRs, possible opt-outs and challenges from monitoring tools)	2023 with SCF (simulated scenario, with only 2022 CSRs and assuming no opt- outs + integration of challenges to social convergence)
EMCO reviews on CSRs (no. of MSs)		
CSRs on ALMPs and PES	13	▪ 1 on ALMPs
CSRs on Labour Taxation and Labour Market Segmentation	6	▪ 7 on Taxation and Segmentation
CSRs on Education and Skills	19	8
SPC reviews on CSRs (no. of MSs)		
CSRs on Pensions	8	8
CSRs on Long-Term Care	4	4
CSRs on Healthcare	5	4
CSRs on Social Protection and Social Inclusion	9	8
EMCO-SPC reviews on CSRs (no. of MSs)		
CSRs of joint interest	5	5
EMCO-SPC reviews of social convergence challenges (no. of MSs)		
Reviews of SWDs under SCF	/	5
Total n. of meetings and reviews	EMCO: 38 CSR reviews in 3 meetings SPC: 26 CSR reviews in 4 meetings EMCO-SPC: 5 CSR reviews in 1 meeting	EMCO: 16 CSR reviews in 2 meetings SPC: 24 CSR reviews in 4 meetings EMCO-SPC: 5 CSR reviews in 1 meeting 5 Social Convergence reviews in 1 meeting

The EMCO-SPC meeting to be organised for the “Social Convergence Reviews” would conclude, every year, the respective multilateral surveillance activities of the two Committees. The preparation of the meeting would not significantly diverge from the traditional CSR reviews, with the main difference represented by the “country-based approach” to be employed to discuss the Staff Working Documents (vis-à-vis the “policy-based approach” used for discussing the implementation of past CSRs). However, during the discussion in the WG, some delegates noted that, according to the principles mentioned above, the approach would reduce the number of country-specific reviews, especially for those Member States which tend to receive a higher number of CSRs in the employment, skills and social policy fields, as these Member States would be discussed only once in a single comprehensive discussion on their challenges to upward social convergence (beyond possible references in the thematic discussions organised in the context of the CSR reviews).

3.4. Role of the EPSCO Council

The integration of a Social Convergence Framework in the multilateral surveillance activities of EMCO and SPC would serve the purpose of preparing the position of the EPSCO Council on the existence of challenges to upward social convergence in the Union. In their initial proposal, Belgium and Spain highlighted the objective to strengthen the role of the EPSCO Council in the European Semester as a key aspect to reflect upon. Typically, depending on the political priorities of the Presidency, the EPSCO Council holds several policy debates on the European Semester throughout the year, in addition of a series of formal steps listed in Box 3. Reinforcing the role of EPSCO in the governance of the European Semester was acknowledged also in the September 2022 mandate from the Czech Presidency to EMCO and SPC. In particular, after the French Presidency had noted the dire consequences of the COVID-19 crisis and the need to ensure an inclusive recovery at EU level, the Czech Presidency underlined the need to “*reconsider and reinforce appropriately the social dimension of the Semester process*”. Along these lines, in the EMCO-SPC Opinion, the Committees had broadly welcomed “*the objective to maintain a balanced representation of the employment, social, economic and fiscal dimensions of the European Semester, by reinforcing the role of EPSCO in its governance*”.

Box 3 – Role of the EPSCO Council in the European Semester

March EPSCO:

- Adoption of the Joint Employment Report;
- Approval of Council Conclusions on the Annual Sustainable Growth Survey and the Joint Employment Report.

June EPSCO:

- Approval of the Country-Specific Recommendations;
- Endorsement of the Horizontal Opinion on the European Semester cycle.

October EPSCO:

- Endorsement of the Key Messages of the EMCO Annual Employment Performance Report and the SPC Annual Report.

When needed:

- Adoption of a Council Decision on the Employment Guidelines;
- Approval of the employment and social aspects of the Recommendation on the economic policy of the Euro Area.

3.4.1. Council Conclusions on Social Convergence in the Union and/or Horizontal Opinion

In the WG discussions, the Commission proposed to introduce new *Council Conclusions on Social Convergence in the Union* to be approved every year in June to conclude the process under the new framework and hold a strategic discussion at political level on the state of upward social convergence in the EU. Such Council Conclusions would complement, from an employment and social perspective, those on the In-Depth Reviews (IDRs) approved in the ECOFIN filière in July in relation to the nature and severity of

macroeconomic imbalances affecting Member States and the Union. According to the mock presented by the Commission services, after having recalled the key elements of the EU employment and social governance within the Semester, such Council Conclusions would acknowledge and briefly summarize the Commission's analyses on "*risks*" (included in the JER) and "*challenges*" (included in the Social Convergence Reports) to upward social convergence. In its main part, the text would then summarise the findings of the multilateral surveillance reviews run in EMCO and SPC on the basis of the Commission analysis (as described in Section 3.3). Finally, it would conclude with forward-looking references to the guidance provided in the Spring Package via the CSRs and the Country Reports and the implementation of relevant recommendations. As discussed in the WG, an additional call on Member States to address challenges to upward social convergence could also be included in such forward-looking section.

So far, the findings of the multilateral surveillance activities have been endorsed by the June EPSCO Council via the Committees' joint Horizontal Opinion on the European Semester. This is produced every year to summarise the work conducted by EMCO and SPC in relation to the Semester and the views expressed by the Committees regarding its governance, as well as to assess the EU level guidance by the Commission in the Spring Package. The document includes in the main body the horizontal conclusions of the multilateral surveillance activities, and the country-specific conclusions are annexed. It is presented by the EMCO and SPC Chairs to the Ministers in the context of a Semester policy debate traditionally organised around the key challenges identified in the Spring Package and is therefore routinely endorsed by the Council without any dedicated political discussion.

During the WG reflections, some members underlined that the introduction of Council Conclusions may increase the political visibility of the social dimension of the European Semester. Nonetheless, a few Member States remained unconvinced about the need for new Council Conclusions and their value added in light of possible overlaps with the Council Conclusions on the ASGS and JER and the Horizontal Opinion. On the latter point, the Commission noted that the scope of the two sets of Council Conclusions would be noticeably different, as those approved in March on the ASGS and JER are meant to agree on the analysis and policy priorities, while those proposed for June would focus on the results after the multilateral surveillance work, i.e., acknowledging the status of upward social convergence in the EU. The Commission had also previously suggested that the Council Conclusions could be the appropriate vehicle to 'upgrade' in a succinct manner the messages contained in the Horizontal Opinion. Among those in favour, some members called for a highly political document with only limited technical references; a few delegates were against naming the individual countries facing challenges to upward social convergence in such Council Conclusions.

3.4.2. Link with the Country-Specific Recommendations (CSRs)

A broad consensus emerged that there should be no direct link nor automaticity between the findings of a possible Social Convergence Framework and the Commission's proposals for new CSRs. The original initiative by Belgium and Spain suggested to include in the proposals for Country-Specific Recommendations (CSRs) by the Commission some policy guidance to explicitly address the challenges identified through the new framework. Delegates generally supported the view that this could allow for a stronger prioritisation among employment and social challenges. The discussions revealed a broad consensus not to create a direct and automatic link between the possible new framework and

CSRs in the employment and social domains. The first Commission services' position paper presented to the WG reiterated the Commission's position that "*there would be no direct link nor automaticity*" with the CSR proposals but that the new framework would rather support the CSR reflection via the identification of relevant challenges thanks to the stronger analytical underpinning.

The Commission services suggested that, when relevant CSRs are issued, the recitals in the legal text could make references to the Social Convergence Framework providing the analytical underpinning and the relevance of given CSR subparts to fostering upward social convergence in the Union. The Commission also presented a mock CSR legal text showing how the findings of the framework could be referred to via the so-called "tagging" in the recitals, in line with the approach adopted for the CSRs relevant under the Macroeconomic Imbalance Procedure (MIP) and for the implementation of the Euro Area Recommendation (EAR)²⁷. In the discussions delegates expressed general support for the approach proposed by the Commission and broadly agreed that there should be no automaticity between the SCF findings and the recommendations. Furthermore, they appreciated that the reinforced analysis could better underpin the Commission's proposals for CSRs in the employment and social domains. The structure and content of the references to the possible new framework in the recitals proposed by the Commission were welcomed by almost all delegates, while a few delegates suggested to explain the framework in more detail in the legal text.

²⁷ In these cases, dedicated recitals of the legal texts indicate the relevance of each CSR for the specific objectives of the MIP and the EAR. The approach for the SCF could mirror this "tagging", while keeping in mind that a possible Social Convergence Framework would have a different legal nature compared to the MIP.

Section 4 – Concluding remarks and areas for further reflection

The WG concluded its activities on 8 May by adopting this technical report and proposing a series of draft Key Messages for discussion in EMCO, SPC and their indicators' groups. The WG report provides a comprehensive overview of the consensual views, main preferences, concerns and differences among Member States on the possible integration of a Social Convergence Framework in the European Semester. The proposed Key Messages, once agreed upon in the parent committees, will serve as a basis for discussion and possible decision-making in the EPSCO Council, in response to the mandate by the Swedish Presidency of last 15 February to the Chairs of EMCO and SPC. On 16 May, the Chair will present, based on this report, the findings of the pilot to the Economic Policy Committee.

Throughout the activities, some delegates brought to the attention of the WG a number of issues for future reflection in the Committees, noting the relevance of the results achieved for broader considerations on the work of the EPSCO filière. From an analytical viewpoint, some members perceived the integration of a Social Convergence Framework in the European Semester as an opportunity to reflect further on the structure and composition of the Social Scoreboard, following the revision endorsed by the Council in 2021.²⁸ During the discussions, it was noted that some dimensions of upward social convergence are either missing (e.g. demography) or underrepresented (e.g. healthcare) in the headline indicators of the Scoreboard. Similarly, as described in Section 3.1, some delegates expressed openness to a future revision of the JER methodology with a view to study how to integrate a longer-term perspective into it and to strengthen its capacity to monitor convergence trends; and how the enhanced approach could be applied to other indicators beyond the headline. A few delegates also indicated the importance of further studying the issue of countries that are excluded from the second-stage analysis based on the agreed first-stage methodology, but may still face risks. Moreover, in line with the EMCO-SPC assessment of the Europe 2020 Strategy²⁹, the review of the Committees' monitoring tools continues to deserve attention also in light of the possible introduction of a Social Convergence Framework, paying attention to avoiding an increase in the administrative burden of EMCO and SPC.³⁰ Finally, regarding the operationalisation of the concept of “upward social convergence”, a few members noted that an analysis of possible spillover effects could be warranted to determine more precisely how the performance of the individual Member States in the employment and social domains would affect others or the Union as a whole.

The possible introduction of a Social Convergence Framework intends to be in line with the integrated approach of the European Semester as set out in the Commission's proposals for a reformed EU economic governance framework. While the legislative proposals presented by the Commission in April 2023 provide a new basis for future surveillance with the introduction of national medium-term fiscal-structural plans combining fiscal, reform and investment policies and annual progress reports to monitor progress, they

²⁸ Available at: <https://data.consilium.europa.eu/doc/document/ST-9314-2021-INIT/en/pdf>.

²⁹ Available at: <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8256&furtherPubs=yes>.

³⁰ A reflection on the Committees' monitoring tools was launched in the IG and ISG in early 2023.

do not involve changes to the main features of the annual European Semester cycle. The Social Convergence Framework does not intend to interfere with the Macroeconomic Imbalance Procedure and would not imply any change to the procedure and the indicators that are used in that process. A possible new Social Convergence Framework would be consistent with an integrated approach to policy surveillance in the Semester and contribute to stronger and more effective policy coordination. It would respond to the objectives of implementing the European Pillar of Social Rights and securing the integrated nature of the European Semester as set out in the Commission's proposals on the economic governance framework of 26 April 2023. In particular, the deeper Commission's analysis of country-specific challenges in the labour market, skills and social domains and the strengthened multilateral surveillance activities of EPSCO and its advisory Committees under the new Social Convergence Framework would also contribute to a stronger analytical underpinning of the Commission's reflections on possible CSR proposals where appropriate and inform the Member States' policy design in the more integrated Semester context.

Annex I

Figure I.1: Employment, skills and social challenges across EU Member States by headline indicator of the Social Scoreboard

The share of Member States with a specific classification among all classified for each headline indicator and also aggregated for the three Pillar chapters



Table I.1: Challenges by Member States as flagged by the Social Convergence Framework. Methodology under Scenario 3, Scores for 2023

Social Scoreboard Headline Indicators	AT				BE				CY				CZ				DE				DK			
	2021	2022	2023	Scores	2021	2022	2023	Scores	2021	2022	2023	Scores	2021	2022	2023	Scores	2021	2022	2023	Scores	2021	2022	2023	Scores
Early leavers from education and training				0				0				1				0				1				0
Individuals' level of digital skills				0				0				1				0				1				0
Youth NEET rate				0				0				1				0				0				0
Gender employment gap				0				0				1				1				0				0
Income quintile ratio				0				0				0				0				0				0
Employment rate				0				1				0				0				0				0
Unemployment rate				0				2				0				0				0				0
Long-term unemployment rate				0				0				0				0				0				0
GDHI per capita				1				1				1				0				0				0
At risk of poverty or social exclusion rate				0				0				0				0				0				0
At risk of poverty or social exclusion rate for children				0				0				0				0				0				0
Impact of social transfers on poverty reduction				0				0				0				0				0				0
Disability employment gap				1				1				1				0				1				0
Housing cost overburden				0				0				0				0				1				1
Children aged less than 3 years in formal childcare				0				0				0				1				1				0
Self-reported unmet need for medical care				0				0				0				0				0				0
Total Scores				2				5				6				2				5				1

Social Scoreboard Headline Indicators	EE				EL				ES				FI				FR				HR			
	2021	2022	2023	Scores	2021	2022	2023	Scores	2021	2022	2023	Scores	2021	2022	2023	Scores	2021	2022	2023	Scores	2021	2022	2023	Scores
Early leavers from education and training				1				0				0				0				0				0
Individuals' level of digital skills				0				0				0				0				0				0
Youth NEET rate				0				1				0				0				0				1
Gender employment gap				0				1				0				0				0				0
Income quintile ratio				0				2				1				0				0				0
Employment rate				0				0				1				0				0				1
Unemployment rate				0				0				1				0				0				0
Long-term unemployment rate				0				0				1				0				0				1
GDHI per capita				0				1				1				0				0				0
At risk of poverty or social exclusion rate				0				1				1				0				0				0
At risk of poverty or social exclusion rate for children				0				1				0				0				0				0
Impact of social transfers on poverty reduction				1				1				0				0				0				1
Disability employment gap				0				0				0				0				0				1
Housing cost overburden				0				0				1				0				0				0
Children aged less than 3 years in formal childcare				0				0				0				0				0				0
Self-reported unmet need for medical care				0				1				0				1				0				0
Total Scores				2				9				8				1				0				5

Note: Strikethrough cells indicate lack of available data or that the indicator was not part of the Social Scoreboard headline indicators in a given year.

The following 22 Member States agreed to be named in the simulations for the first-stage analysis: AT*, BE, CY*, CZ, DE, DK*, EE, EL, ES, FI, FR, HR, IE, IT, LU, LV, NL, PL, PT, SE*, SI, SK (* = Not participating in the Working Group).

Source: Social Scoreboard headline indicators published in the 2021, 2022 (Council version) and 2023 (Commission proposal) Joint Employment Reports.

Table I.1 (continued): Challenges flagged for Member States by the Social Convergence Framework. Methodology under Scenario 3, Scores for 2023.

Social Scoreboard Headline Indicators	IE				IT				LU				LV				NL			
	2021	2022	2023	Scores	2021	2022	2023	Scores	2021	2022	2023	Scores	2021	2022	2023	Scores	2021	2022	2023	Scores
Early leavers from education and training				0				1				1				0				0
Individuals' level of digital skills				0				1				0				0				0
Youth NEET rate				0				1				0				0				0
Gender employment gap				0				1				0				0				0
Income quintile ratio				0				1				0				0				0
Employment rate				0				1				0				1				0
Unemployment rate				0				2				0				0				0
Long-term unemployment rate				0				1				0				0				0
GDHI per capita				0				1				0				0				0
At risk of poverty or social exclusion rate				0				1				1				1				0
At risk of poverty or social exclusion rate for children				0				1				1				0				0
Impact of social transfers on poverty reduction				0				0				1				1				0
Disability employment gap				1				0				0				0				0
Housing cost overburden				0				0				0				0				1
Children aged less than 3 years in formal childcare				1				0				0				0				0
Self-reported unmet need for medical care				0				0				0				0				0
Total Scores				2				12				4				4				1

Social Scoreboard Headline Indicators	PL				PT				SE				SI				SK			
	2021	2022	2023	Scores	2021	2022	2023	Scores	2021	2022	2023	Scores	2021	2022	2023	Scores	2021	2022	2023	Scores
Early leavers from education and training				0				0				1				0				0
Individuals' level of digital skills				1				0				0				1				0
Youth NEET rate				0				0				0				0				1
Gender employment gap				1				0				0				0				1
Income quintile ratio				0				1				0				0				0
Employment rate				0				0				0				0				0
Unemployment rate				0				0				1				0				0
Long-term unemployment rate				0				0				0				0				1
GDHI per capita				0				0				0				0				0
At risk of poverty or social exclusion rate				0				1				0				0				0
At risk of poverty or social exclusion rate for children				0				0				0				0				0
Impact of social transfers on poverty reduction				0				1				0				0				0
Disability employment gap				1				0				0				0				0
Housing cost overburden				0				1				0				0				0
Children aged less than 3 years in formal childcare				1				0				0				0				0
Self-reported unmet need for medical care				0				0				0				1				0
Total Scores				4				4				2				2				3

Note: Strikethrough cells indicate lack of available data or that the indicator was not part of the Social Scoreboard headline indicators in a given year.

The following 22 Member States agreed to be named in the simulations for the first-stage analysis: AT*, BE, CY*, CZ, DE, DK*, EE, EL, ES, FI, FR, HR, IE, IT, LU, LV, NL, PL, PT, SE*, SI, SK (* = Not participating in the Working Group).

Source: Social Scoreboard headline indicators published in the 2021, 2022 (Council version) and 2023 (Commission proposal) Joint Employment Reports.