



Council of the  
European Union

Brussels, 23 May 2023  
(OR. en)

9481/23

SOC 323  
EMPL 209  
ECOFIN 443

**NOTE**

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From: The Employment Committee and the Social Protection Committee  
To: Permanent Representatives Committee/Council

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Subject: Introduction of a Social Convergence Framework in the European Semester  
- Key Messages from the Employment Committee and the Social Protection Committee

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Delegations will find attached the Key Messages of the Employment Committee and the Social Protection Committee on the Social Convergence Framework, based on the report of the joint EMCO-SPC Working Group.

The Key Messages were adopted in accordance with the rules of procedure of the preparatory Committees at their joint meeting on 12 May 2023, with a view to the Council meeting (EPSCO) on 12 June 2023

The full Report can be found in doc. 9481/23 ADD 1.

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## Introduction of a Social Convergence Framework in the European Semester

*Key Messages from the Employment Committee and the Social Protection Committee*

### Introduction

1. **Upward social convergence is a fundamental objective of the Union that is embedded in the European Pillar of Social Rights, as reaffirmed by EU leaders in the Porto Declaration of 8 May 2021.** As established by the EU Strategic Agenda 2019-2024, the implementation of the Pillar should be a key priority at EU and national level, with due regard for respective competences and the principles of subsidiarity and proportionality. In this context, the European Semester – as the EU framework for the coordination and surveillance of economic, fiscal, employment and social policies, in line with the Treaty on the Functioning of the European Union – has a central role to support the implementation of the Pillar in the Member States.

2. **The Employment Committee (EMCO) and the Social Protection Committee (SPC) reflected on how to strengthen the social dimension of the European Semester, in line with the mandates received from the French, Czech and Swedish Presidencies** and following the initiative by Belgium and Spain to introduce a “Social Imbalances Procedure” (SIP), presented in the EPSCO Council meeting of October 2021. The EMCO-SPC Opinion of 16 May 2022<sup>1</sup> underlined the need for further conceptual and analytical work on key aspects of the initiative, noting that Member States were divided on its possible value added. Supported by the full report in Annex, these Key Messages are aimed at informing the Council regarding the deeper examination conducted between October 2022 and May 2023 to explore ways to reinforce the social dimension of the Semester, taking into account the views previously expressed in the Opinion.
3. **In September 2022, EMCO and SPC agreed to establish a dedicated joint Working Group tasked to further examine the issues referred to in their Opinion to the June 2022 EPSCO Council.** Between October 2022 and March 2023, the Working Group, composed of representatives from 21 Member States<sup>2</sup> and the Commission, conducted further methodological discussions and a pilot on how the new framework could be structured and function. The pilot discussions were supported by a series of position papers on the general architecture and of “mock” documents prepared by the Commission services<sup>3</sup>, as well as a number of Secretariat notes with the aim of discussing fictitious but realistic examples to determine the views of the participating Member States.

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<sup>1</sup> Doc. 9222/22

<sup>2</sup> Participation to the Working Group was voluntary. The following Member States applied to be members of the group: BE, CZ, DE, EE, EL, ES, FI, FR, HR, HU, IE, IT, LU, LT, LV, MT, NL, PL, PT, SI, SK.

<sup>3</sup> To support the pilot, the Commission services prepared dedicated documents serving as examples of how a Social Convergence Framework could be implemented in each step. The documents prepared were an example of a new section of the *Joint Employment Report*, an example of a *Social Convergence Report*, the mock legal text of a *Country-Specific Recommendation (CSR)* with tagging to the new framework in the recitals, as well as mock *Council Conclusions on Social Convergence in the Union*.

Following the examination of the Report prepared by the Working Group and the discussion by their Indicators Subgroups, EMCO and SPC endorse the following conclusions, while acknowledging different degrees of support among Member States:

#### **Definition and scope of a possible Social Convergence Framework**

4. **The introduction of a “Social Convergence Framework” may, in particular, provide the opportunity to establish a more structured and deeper analysis of employment and social developments at the national and Union levels within the annual Semester cycle,** notably by building on the methodology applied to the headline indicators of the Social Scoreboard in the Joint Employment Report. Such a framework would provide value added in analysing and giving better visibility to overall risks and challenges to upward social convergence in the Union. It should not translate into excessive additional administrative burden and could contribute to the further modernisation of the Committees’ monitoring tools.

#### **Possible integration in the European Semester**

5. **In line with the abovementioned objective, and without prejudging a political agreement on its introduction, in a Social Convergence Framework the Commission would conduct a two-stage analysis.** First, in its annual proposal for a Joint Employment Report, the Commission would assess the existence of overall *risks* to upward social convergence for all Member States based on the interpretation of findings from the Social Scoreboard headline indicators and identify Member States requiring further examination. The Commission services would then publish “Social Convergence Reports” for those Member States identified as facing risks to upward social convergence. They would contain a deeper country-specific examination aimed at determining whether there are actual *challenges* to upward social convergence in the Union.

6. **In the first-stage analysis in the proposal for a Joint Employment Report, the existing methodology applied to the Social Scoreboard should be complemented by criteria<sup>4</sup> that guide the identification of overall risks** to upward social convergence for the individual Member States that would require a deeper analysis. These criteria would aggregate the results from the individual headline indicators of the Scoreboard and support an initial evaluation of overall potential risks to upward social convergence for each Member State. While using simple criteria can ensure a wider understanding regarding the annual identification of Member States, several delegates noted that assessing risks to upward social convergence would require a longer time perspective, which should therefore be considered as a feature of the chosen criteria.
7. **The second-stage analysis conducted in Commission services' Social Convergence Reports would be based on wide quantitative and qualitative evidence and an appropriate consideration of the policy action undertaken at national level to address the identified risks to upward social convergence.** In particular, beyond the results of the Social Scoreboard, the Commission would use the full spectrum of monitoring tools and analytical frameworks agreed in the Semester, to be complemented by qualitative information and national sources where appropriate. This would include, *inter alia*, analyses on absolute trends of indicators in the medium term, progress on the 2030 national targets on employment, skills and poverty reduction, as well as data from other relevant EU indicators (including the secondary indicators of the Social Scoreboard proposed by the European Commission in the European Pillar of Social Rights Action Plan). In line with other country-specific analyses conducted within the broader Semester framework, it is important to ensure bilateral consultations with the Member States on their Social Convergence Reports ahead of their publication as well as complementarity with the Country Reports to be published later in the Semester cycle.

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<sup>4</sup> Based on extensive simulations discussed in the Working Group, delegates would tend to support the annual identification of Member States requiring a deeper examination according to a pre-set threshold, based on (i.) the number of headline indicators in the Social Scoreboard categorised as “critical” or “to watch” for the country in the given year; and (ii.) the number of indicators showing two consecutive deteriorations in their JER categorisation.

8. **The Social Convergence Reports could be used as a basis for the annual multilateral surveillance activities of EMCO and SPC to inform the Council on the existence of challenges to upward social convergence.** The integration of the Social Convergence Framework with the multilateral surveillance activities could foster a shared understanding of challenges to upward social convergence and the related policy actions, with a deeper country-specific perspective. According to the simulations discussed in the Working Group, several delegates agree that such integration could also provide the opportunity to streamline and stabilise the approach of the Committees' surveillance work, without significant increases in administrative burden.<sup>5</sup>
9. **On the basis of the conclusions of the multilateral surveillance activities, most delegates would support the introduction of new Council Conclusions on Social Convergence in the Union to be adopted by the EPSCO Council every year in June.** The Opinion presented in June 2022 had already underlined that the Committees 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”*. The delegates in favour of new Council Conclusions underlined that, by acknowledging findings under the Social Convergence Framework, such Conclusions may increase the political visibility of the social dimension in the European Semester and contribute to improving employment and social outcomes at national and EU level. A few delegates still raised concerns about the number of documents to be prepared for the Council in the context of the European Semester and advocated a streamlined approach, emphasizing the need for each document to have a clear purpose.

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<sup>5</sup> Between 2020 and 2023, EMCO and SPC adapted their approach to multilateral surveillance every year to account for structural changes in the European Semester. Integrating the Social Convergence Framework with the multilateral surveillance activities would allow the Member States analysed in a Social Convergence Report to be discussed in a single meeting on the entire set of challenges. Compared to the approaches adopted in recent years, this could decrease the number of country-specific reviews.

10. **The identification of challenges within the Social Convergence Framework should not automatically nor directly lead to proposals for Country-Specific Recommendations.** To the extent that the legal texts of the Country-Specific Recommendations refer to upward social convergence in the Union, they should include appropriate references to the new framework providing the analytical underpinning.

In light of the abovementioned conclusions and following the examination of the Report in Annex, on 12 May 2023, the Committees concluded their assessment on how to strengthen the social dimension of the European Semester through the possible introduction of a Social Convergence Framework:

11. **EMCO and SPC welcome the positive narrative proposed by the Commission services for a “Social Convergence Framework” (instead of a “Social Imbalances Procedure”) aimed at better identifying and assessing risks and challenges to upward social convergence in the Union.** Overall, the positions of the Member States tend to reflect a broad consensus in relation to the underlying concept of upward social convergence, the architecture of the framework within the Semester, as well as the technical features that could be used to support the identification of Member States requiring a deeper examination. In this context, most Member States would welcome a two-stage analytical approach implemented by the Commission, with findings discussed in the multilateral surveillance activities of the Committees to inform the Council on the state of social convergence in the Union and considered in the proposals for Country-Specific Recommendations.

12. **The value added of introducing a Social Convergence Framework was subject to a close scrutiny, with different degrees of support among the Member States.** The Commission services, as well as most Member States, noted the benefits of a more structured framework to monitor employment and social developments, as well as the possibility to sharpen the yearly multilateral surveillance activities of the EPSCO Committees with an enhanced focus on challenges affecting social convergence and reflect on technical refinements of the analysis conducted using the Social Scoreboard and the methodology applied to it in the Joint Employment Report. Most Member States also underlined the benefits in terms of increasing the political visibility of employment and social challenges, as well as achieving a more comprehensive understanding of the state of social convergence in the Union.
13. **Nonetheless, uncertainties persist for some Member States as to whether a Social Convergence Framework would meaningfully improve the identification of challenges, against the background of potential risks of administrative burden.** In this context, renewed efforts towards the modernisation of the Committees' monitoring tools, currently being reviewed, was highlighted as a key priority, especially if the establishment of a Social Convergence Framework will be agreed upon. Some Member States also noted that while the multilateral surveillance work of the EPSCO Committees may benefit from an integration with the framework, the level of coordination required at the national level to comprehensively discuss challenges to upward social convergence may need to be improved and is to be tested in practice.



14. **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 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.