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LABOUR AND SOCIAL JUSTICE

EUROPEAN SOCIAL COHESION: PROGRESS AT A SNAIL´S PACE?

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The EU faces significant disparities, with Southern Europe experiencing growth while Northern and Western Europe stagnate. Social progress, especially in poverty reduction, is slow and inconsistent.

High inflation has led to a cost-of-living crisis, eroding real wages and increasing poverty risks, despite a relatively stable labor market.

Social policy has been overshadowed by geopolitical issues, and political consensus on advancing social objectives is weakening, despite strong public support for a Social Europe.

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INTRODUCTION

In 2024 the legislative period of the European Parliament ended. Over the past five years, the EU has been rocked by serious crises, notably the Covid-19 pandemic and the Russian war of aggression against Ukraine. Both produced serious consequences in socioeconomic turns, which must be added to the long-lasting effects of precedent economic shocks and new challenges. In this legislative period European institutions and the member states sent signals of unity to tackle the crises, and social progress received a central place on the political agenda with the Action Plan for the Implementation of the European Pillar of Social Rights (EPSR), the short-term work implementation scheme SURE and the Next Generation EU 750 billion common budget.

2023 and 2024 inflation declined constantly, but the cost-of-living crisis remains virulent. While the labour markets are showing positive convergent developments, there is still no sign of a trend reversal in the area of poverty reduction since the last crises. Progress on the 2030 social objectives is slow and accompanied by setbacks. Lately, the EU institutions succeeded in setting further social standards, but consensus between the member states seems to be fading and calls for a new area of austerity and inner competitiveness are getting louder.

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GROWTH IN THE SOUTH, STAGNATION IN THE NORTH

The growth rate of the gross domestic product (GDP) in the EU in 2023 was almost stagnant at just 0.4 per cent compared to the previous year. For 2024, the European Commission expects an annual growth of 1.0 per cent (eurozone: 0.8 per cent), a forecast that is subject to uncertainty given the weak first quarter of 2024 with 0.3 per cent growth in both the EU and the Eurozone. However, there are signs of a return to growth insofar as ten member states were still recording shrinking economic output in 2023, which only applied to Denmark, Estonia and the Netherlands in the first quarter of 2024. Southern Europe in particular –in a reversal of the situation during the Euro crisis from 2010 to 2015– is seen as a growth driver. Here, as well as in some countries in Central Eastern Europe, GDP will grow at an above-average rate in 2023 and 2024, while Northern and Western Europe will continue to stagnate or only increase in very small steps (European Commission 2024a). The reasons for this divergence lie on the one hand in the full recovery of the tourism sector following the Covid-19 pandemic and on the other hand in the effects of the 750 billion Next Generation EU reconstruction fund, whose main beneficiaries –measured in terms of their GDP volume– are the countries of Southern and Eastern Europe.

The high inflation rates in 2022 and 2023 led to an increase in private savings rates, as disposable household income fell noticeably as a result of the price increases. As a result, private consumption in the EU has only seen a modest recovery.[1] Investments are also weak due to the price increases, which have hit the construction industry in particular. At the same time, external demand remains volatile due to international trade conflicts, crises and wars. The continuous decline in inflation in the Eurozone since its peak in October 2022, when prices rose by 10.6% year-on-year, to just 2.5% in June 2024, raises hopes of a normalisation of savings and consumer behaviour. The European Central Bank (ECB) already initiated a turnaround in interest rate policy at the beginning of June 2024 by very cautiously lowering the key interest rate by a quarter of a percentage point from its nine-month high of 4.5 per cent.

In many member states, the high government deficits of the pandemic years have been reduced. In 2023, the average budget deficit in the EU was 3.5 per cent of GDP (Eurozone: 3.6 per cent); the European Commission expects a precision landing at the reference value of 3 per cent in 2024. The background to the decline is not so much the gradual recovery in economic growth, but rather the expiry of state energy subsidies and grants in recent years. For seven member states (Belgium, France, Italy, Hungary, Malta, Poland and Slovakia), the opening of excessive deficit procedures is proposed in 2024 due to budget deficits above the three per cent threshold, with the new rules of the Stability and Growth Pact adopted in spring 2024 as part of the "Economic Governance Review" being applied for the first time. Following the economic shocks of recent years, there has been a decline in macroeconomic imbalances; nine EU member states still have such imbalances, with only Romania being categorised as excessive (European Commission 2024b). Public debt in the EU as a whole fell to 81.7 per cent of GDP by the end of 2023 (Eurozone: 88.6 per cent), with the member states Greece (161.9 per cent), Italy (137.3 per cent), France (110.6 per cent), Spain (107.7 per cent), Belgium (105.2 per cent) and Portugal (99.1 per cent) having far above-average debt ratios.

1 All data from Eurostat unless otherwise indicated.

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CONTINUOUS COST-OF-LIVING CRISIS

Despite the slow recovery in economic output, the situation on the European labour market remains relatively relaxed: The employment rate for 20 to 64-year-olds reached an all-time high of 75.5 per cent in 2023, bringing it even closer to the reference value of 78% by 2030 set at the 2021 Social Summit in Porto, albeit with lower growth rates than in the previous year. The shortage of skilled labour remains a central problem in many EU countries, especially in view of the requirements of the economic transformation in the course of the digital and ecological transformation. Stable employment is reflected in a very low unemployment rate in the EU of 6.1 per cent in 2023 (Eurozone: 6.6 per cent); the European Commission expects no change for 2024. The long-lasting differences in unemployment rates between member states have decreased, indicating an upward convergence in favour of the countries that were particularly hard hit by the recent crises (European Commission 2024a; 2024c).

Nevertheless, numerous labour market-related challenges remain. In addition to the shortage of skilled labour, these include in particular the impact on individual social groups and income trends. The risk of becoming unemployed is almost three times higher for young people than for the working population as a whole; the unemployment rate for 15-24-year-olds remains at around 14.5 per cent in spring 2024. The rate of young people aged between 15 and 29 who are not in education, employment or training (NEET) has fallen further to 10.4 per cent in 2023 (Eurozone: 10.1 per cent), although there are significant differences between the Netherlands (4.3 per cent) and Romania (19.3 per cent). The gender-related unemployment rate remains small, with a difference of 0.5 percentage points in both the EU and the Eurozone. The high employment gap of 21.5 per cent in 2023 between people with disabilities and the working population of the EU as a whole is problematic.

Due to the high inflation rates since 2022, we can speak of a cost-of-living crisis. Especially energy and food costs as a result of the Russian war of aggression against Ukraine have acted as price drivers. Although average employee compensation in the Eurozone rose by 5.1 per cent in 2023 (2022: 3.4 per cent), real wages fell by 0.3 per cent. A look at real wage trends since the pre-crisis year of 2019 shows the considerable differences within the currency union: Portugal (up 10.9 per cent), Spain (up 2.7 per cent), Belgium (up 1.9 per cent) and Austria (up 1.3 per cent) saw increases, while real wages fell in Italy (down 8.2 per cent), Germany (down 3.3 per cent), France (down 3.1 per cent) and Greece (down 0.2 per cent) (Herzog-Stein/Stein 2024).

The high nominal wage increases in many countries in 2023 and 2024, and the decline in inflation will gradually lead to a reduction in real wage losses. In addition, minimum increases for lower wage groups or one-off payments have been agreed in collective bargaining in many cases. However, real wage losses compared to the previous year can still be observed in ten EU countries in 2023 (Müller et al. 2024), which restricts consumption opportunities and can contribute to the entrenchment of the risk of poverty and social exclusion.

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POVERTY REDUCTION PROCEEDS TOO SLOW

The risk of poverty and social exclusion affected 94.6 million people in the EU in 2023, which corresponds to a risk rate of 21.4 per cent of the total population. Due to the stability of the labour market, the slow recovery of household incomes and the decline in inflation, this figure has fallen slightly (2022: 95.3 million people, that is 21.6% of the population). However, this figure is still a far cry from the target agreed at the 2021 Social Summit in Porto of reducing the risk of poverty and exclusion by 2030 for 15 million people, including at least five million children, compared to the 2019 figure. So far, only a reduction of 793,000 people has been achieved. The differences between the member states also remain considerable, ranging from a risk rate of 12.0 per cent in the Czech Republic to 32.0 per cent in Romania.

Poverty and social exclusion are a particularly high risk for children under the age of 18 in the EU: with an upward trend since 2019, almost a quarter of all children are now affected. Here, too, there are major differences between the EU member states, with Slovenia at 10.7 per cent and Romania at 39.0 per cent.

The analysis of the 16 indicators of the Social Scoreboard as part of the European Semester shows a sharp increase in the second worst category "to watch" in the European Commission's latest analysis from October 2023. While the labour market indicators point in a positive direction in many areas, there are considerable deficits in the education and social sectors. In the education sector, these include a number of member states with school drop-out rates that are still too high despite a slow decline: 9.5 percent of all 18-24-year-olds in 2023 compared to 11.8 percent in 2013. Further, insufficient digital skills for the job requirements of the future are reported as well as a decline in care for children under the age of three. In the social sector, in addition to the slow reduction in the risk of poverty and exclusion, the negative list includes a reduced impact of social transfers to combat poverty in many countries following the expiry of many state support measures due to the pandemic, as well as growing burdens due to rising housing costs and unmet medical care needs.

For the first time, this year's European Employment Report included a detailed analysis of the three social objectives by 2030, as agreed in the Action Plan for the implementation of the EPSR. Using the most recent Eurostat data as in **figure 1**, these indicators stand as follows:

Figure 1
EU social headline objectives for 2030

	2016	2023	2030 target
Employment rate in percent (20-to-64-year-olds)	69.6	75.3	78.0
Participation in continuing education in the last 12 months in percent (16-to-74-year-olds)	43.7	-	60.0
Number of people at risk of poverty or social exclusion in thousands (AROPE)	103.556	94.638	80.431

Source: European Commission (2024c); Eurostat; own calculations. The number of people experiencing poverty or social exclusion is expected to be reduced by at least 15 million until 2030 compared to 2019 levels.

While the employment target appears to be within reach, much remains to be done in terms of poverty reduction and adult education. This applies not only to the European benchmarks, but also to many member states, which have each committed to quantifiable national targets. While the indicator for measuring progress in adult education is still methodologically controversial, divergences are already evident in the reduction of the risk of poverty and social exclusion, as some member states have even recorded increases in risk rates and are thus moving away from their target values. Most recently, these were France, Germany, Austria, Finland, the Netherlands, Slovakia, Sweden, Ireland, Estonia, Denmark and Luxembourg (European Commission 2024c).

Figure 2 shows that figures change between 2022 and 2023 in the Social Scoreboard and draw a widely known picture, albeit with some little variations.

Figure 2
Social Scoreboard aggregated indicator's change 2022 to 2023

EU Member State	2022 Number social indicators on or above EU average	2023 Number social indicators on or above EU average	Change between 2022 and 2023
Austria	14	12	-2
Belgium	13	14	+1
Bulgaria	5	6	+1
Croatia	12	11	-1
Cyprus	11	11	0
Czech Republic	13	13	0
Denmark	13	13	0
Estonia	12	10	-2
Finland	14	12	-2
France	15	11	-4
Germany	12	13	+1
Greece	4	4	0
Hungary	12	10	-2
Ireland	13	13	0
Italy	4	4	0
Latvia	12	11	-1
Lithuania	12	9	-3
Luxembourg	13	12	-1
Malta	11	12	+1
Netherlands	15	16	+1
Poland	12	12	0
Portugal	12	14	+2
Romania	3	4	+1
Slovakia	14	11	-3
Slovenia	14	13	-1
Spain	5	6	+1
Sweden	15	12	-3

Source: European Commission 2023, 2024e; own calculations. The 2023 indicator "adult participation in learning during the last 12 months" was not comparable to 2022 and therefore not used. No or partly outdated data in some indicators in Bulgaria, France, Italy and Romania.

Many Western, Northern and Central European countries perform in most of the 16 comparable indicators on or better than the EU average, with The Netherlands leading this champ by obtaining an on or better than average score in all measured social fields. But to this group belongs also Portugal, which has a positive change in two indicators and possesses now of 14 indicators on or above the EU average. This success story cannot be told for other countries having been in severe economic crises in the last decade: Spain, Greece and Italy are still members of the group of states with the fewest indicators on or above average, together with Bulgaria and Romania. The good story to tell is that in some of these countries there were slight improvements (Spain, Bulgaria, Romania), and for the others no contrary movements from 2022 to 2023. But in general, the downward movement of having less indicators on or above the EU average clearly outweighs the upward convergence trend from 2022 to 2023. In sum, in nine cases indicators moved in the latter direction, while at the same time

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SOCIAL POLICY ACTIVITIES PRIOR TO THE EU ELECTIONS

In the year leading up to the European Parliament elections in June 2024, the European Commission has focussed especially on supporting the Council and Parliament in reaching agreements on dossiers that have not yet been adopted. This was achieved, for example, with an agreement in March 2024 on the directive proposed in 2021 to improve working conditions in platform work, which classifies the status of employees or self-employed workers according to defined criteria to improve workers' rights and social protection in the gig economy, for example. In addition, information and contestation rights for the increasingly widespread personnel management by algorithms were defined. The member states now have two years to integrate this directive into national law.

In the area of industrial relations, the Commission sought to build on the 2022 directive on adequate minimum wages with its target of a high collective bargaining coverage rate of 80% and to take up on the policy of former Commission President Jacques Delors, who died in December 2023, to facilitate and strengthen social dialogue at European level. A Council recommendation to strengthen the social dialogue in June 2023, which encouraged the member states to better involve and consult the social partners, was followed in January 2024 under the Belgian Council Presidency by a tripartite social partner summit in the symbolic Val Duchesse, where Delors invited the heads of the European trade union and employers' associations in 1985 to establish the European social dialogue. In a joint declaration, the social partners, the Commission and the Council emphasised the relevance of social partnership for the future, agreed on a series of further meetings to identify the need for reform and intended to set up a social dialogue officer at the Commission:

"This Declaration represents a renewed commitment to strengthen social dialogue at EU level and to join forces in addressing the key challenges our economies and labour markets are facing. The objective is to achieve thriving companies of all sizes, services of general interest and public services, quality jobs and improved working conditions" (European Commission 2024d: 2).

Whether these declarations of intent will also bear political fruit could be seen in two dossiers that could not be finalised in the legislative period up to 2024: Firstly, the Commission's proposal for a revision of the European Works Councils Directive, which it presented following a two-stage consultation process with the social partners in January 2024. The European Parliament had requested this in a resolution in February 2023 in order to strengthen the role and capacity for action of European Works Councils. Negotiations between the Parliament and Council on this are not expected until autumn 2024. Secondly, in the consultation of the social partners on EU measures to ensure fair teleworking and the right to disconnect, which runs from April to June 2024. The European Parliament had already called for action on this at EU level in 2021.

In September 2023, the European Commission presented a proposal for a directive on the introduction of a European disability card and a parking card for people with disabilities. The Parliament and Council reached an agreement on this in February 2024. In future, standardised proof of disability will apply throughout the EU, for example to facilitate access to relevant services.

In the area of gender equality, the Council adopted two directives in May 2024 that strengthen equality bodies in the fight against discrimination and set common standards for their work. It also adopted a directive on combating violence against women and domestic violence, which aims to uniformly name and punish related offences and extend the protection of victims with requirements for the member states. All three proposals were submitted by the Commission in 2022.

The agreement between the Council and Parliament in February 2024 on the Economic Governance Review could become relevant for the importance of social aspects in the political coordination of the European Semester. Under the reformed Stability and Growth Pact, member states can be given more time to reduce excessive government deficits if they are planning public investment in EU goals (such as digitalisation, climate neutrality, but also social resilience). In future, the application of the rules is to be tailored more closely to the individual economic situation of the member states, so that the decision on an excessive deficit procedure and its consequences will be politicised. At the same time, however, very detailed specifications on minimum reduction quotas have been adopted, which could trigger a pro-cyclical effect by forcing member states into austerity (Theodoropoulou 2024: 25-27). The reformed text explicitly refers to the existence of a social convergence framework, whose findings on social imbalances should also be taken into account in economic governance.

A case in point how controversial the implementation of the new economic governance framework with an integrated social responsibility could become, was demonstrated at the conference on the future of the EPSR organised by the Belgian Council Presidency in La Hulpe on 16 April 2024: A declaration adopted there by the participating representatives from the European institutions and the social partners sees the EPSR as a central focus point of European policies, not without mentioning its limitations:

"After its proclamation by the European Parliament, the Council of the EU and the European Commission in 2017, the European Pillar of Social Rights has been serving as a compass to provide guidance in addressing common employment, skills and social challenges, and to foster upward convergence in working and living conditions in the Union. At Union level, the European Pillar of Social Rights does not entail an extension of the Union's powers and tasks as conferred by the Treaties. It should be implemented within the limits of those powers" (The Belgian Council Presidency 2024: 3).

Even if the EPSR is seen as a compass, which should help to strengthen social convergence, there is no reference to the social convergence framework. Instead, somewhat coded, the existing social governance tools are listed:

"We reiterate that the European Semester, with its economic and social aspects, should remain a key framework to monitor the implementation of the Pillar, including via the Social Scoreboard, to identify risks to upward social convergence and to monitor the progress achieved towards the 2030 EU and national targets on employment, skills and poverty reduction" (The Belgian Council Presidency 2024: 13).

Interestingly, the final declaration was not signed by Sweden and Austria, and neither by the employers' organisation BusinessEurope, while Hungary and Ireland published accompanying critical statements.

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CONCLUSION

In the European election campaign, social Europe played a subordinate role compared to geopolitical issues such as the war in Ukraine, enlargement and migration. Whether the social achievements of this legislative period will continue to be built upon is questionable given the shifts in political priorities. Exceptions to the Green Deal, a Janus-faced reform of the Stability and Growth Pact, the emphasis on competitiveness – e.g. in the reports by Enrico Letta on the future of the internal market and by Mario Draghi on the competitiveness of the EU –, and the disagreement in the declaration on Social Europe in La Hulpe indicate that it could once again become more difficult to flank market processes in the EU with progressive social policy (Vanhercke et al. 2024).

This impression was underlined by the portfolios, re-elected European Commission President Ursula von der Leyen proposed for the Commissioners-designate in July 2024. Competences in employment and social affairs are scattered across the board of the college. And the symbolic denomination of the former portfolio for "Jobs and Social Rights" into the somehow awkward "People, Skills and Preparedness" resort "signals a move toward individual responsibility and crisis management in social policy" on the costs of a de-commodifying and more market-friendly approach (Crespy/Kenn 2024).

On the contrary, EU citizens demand a Social Europe: In a Eurobarometer report from April 2024 88 per cent of the participating citizens stated that a social Europe is important to them, with 43 per cent saying this is even "very important" (European Commission 2024f). Given the manifold socioeconomic challenges ahead, continuing the long and winding road to a European Social Union appears to be indispensable (Hacker 2023).

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The EU's economic recovery from recent crises (COVID-19 pandemic and the war in Ukraine) has been uneven across member states. Southern Europe, benefiting from the full recovery of the tourism sector and substantial aid from the Next Generation EU reconstruction fund, has emerged as a growth driver. In contrast, Northern and Western Europe are experiencing stagnation, with minimal economic growth. This regional divergence highlights ongoing challenges in achieving cohesive economic progress across the EU. The slow economic recovery has also been accompanied by weak investment, especially in the construction industry, and volatile external demand due to global trade conflicts and crises.

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The EU continues to grapple with a persistent cost-of-living crisis, driven by high inflation rates that peaked in 2022 and 2023. While inflation has gradually declined, the impact on household incomes has been significant, leading to reduced private consumption and a slow recovery in consumer behavior. Real wages have suffered, particularly in countries like Italy, Germany, and France, where they have declined since 2019. Although some wage increases and minimum wage adjustments have been made, real wage losses persist in many EU countries, exacerbating the risk of poverty and social exclusion. The employment rate remains high, yet challenges such as youth unemployment, the gender employment gap, and the employment gap for people with disabilities persist.

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Despite some progress in social policy, including the implementation of the European Pillar of Social Rights (EPSR) and efforts to improve labor conditions, the EU faces significant challenges in achieving its 2030 social objectives. Poverty reduction has been slow, with only a marginal decrease in the number of people at risk of poverty and social exclusion. Additionally, political consensus on advancing social policies is weakening, with increasing calls for austerity and competitiveness, which could undermine social progress. Geopolitical issues, such as the war in Ukraine, have overshadowed social policy in the EU's political agenda, raising concerns about the future prioritization of social objectives in European policymaking.

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