



WHY REFORMING THE EUROPEAN SEMESTER?

With the launch of the European Pillar of Social Rights, the Commission has adopted a new ambitious social policy framework. The European Semester, however, still lacks a comprehensive framework to monitor socio-economic inequalities within member states.

Particularly in the aftermath of the pandemic, it is crucial to monitor imbalances on employment, educational, and health outcomes.

This Policy Study focuses on 3 policy areas and propose 9 recommendations to better address inequalities in the European Semester.

ANALYSIS ON THREE POLICY AREAS:

EMPLOYMENT & SOCIAL POLICIES



- 1 The current focus is on measuring disadvantage at the bottom of the income distribution
- 2 No attention is paid to the declining condition of intermediate segments of the population, i.e. the so-called "**squeezed middle**"
- 3 Indicators on job insecurity, financial insecurity and job tenure insecurity are missing
- 4 No attention is paid to the inequality of opportunities in social investment areas, e.g. **childcare and social services**

PUBLIC FINANCE & MACROECONOMIC POLICIES



- 1 There is a **persisting focus on budgetary stability and debt reduction**, which might have a regressive effect on inequality
- 2 The current Macroeconomic Imbalance Procedure (MIP) scoreboard is **devoid of macroeconomic indicators to measure inequality**
- 3 By setting tight constraints, the CSRs indirectly affect member states' capacity to use public resources to redistribute and conduct public investments

TAXATION POLICIES



- 1 Recommendations on personal income taxation are oriented toward the efficiency and productivity of the labour market and **disregard the redistributive potential of tax policy**
- 2 Tax matters identified as crucial in country reports do not appear consistently in the country-specific recommendations

RECOMMENDATIONS

- ✓ Include new indicators to: **capture the declining quality of work**, assess households' financial capability and measure income and wealth inequality.
- ✓ Integrate new indicators in the MIP to **monitor household financial fragility**; revise the expenditure rules of the Stability and Growth Pact; and **involve the social partners and wider civil society** in the process.
- ✓ **Encourage progressive taxation** consistently in country-specific recommendations; have a **coordinated approach to EU taxation dumping**; and expand the tax base in new areas, e.g. environment, in a progressive way